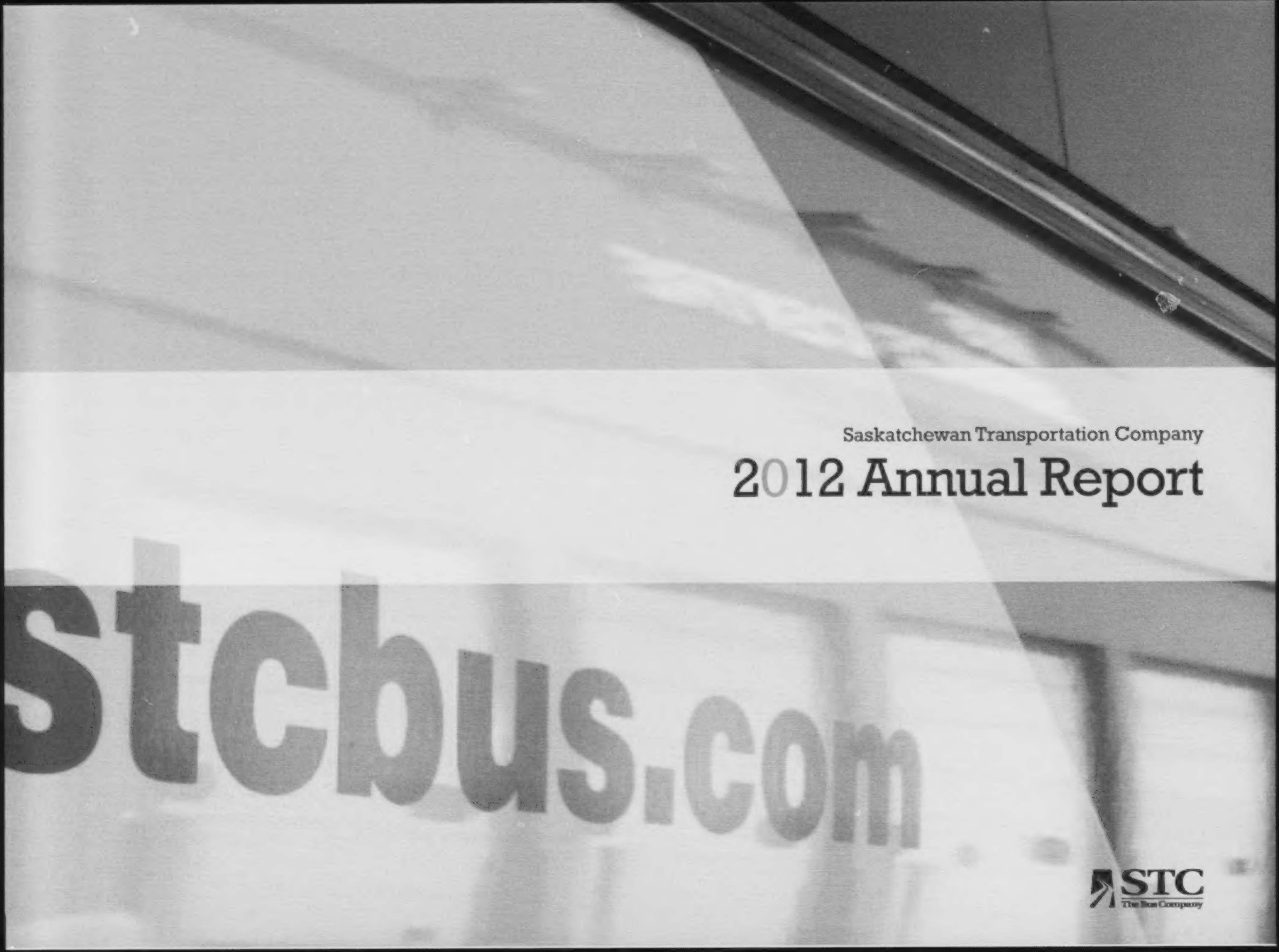


Saskatchewan Transportation Company

2012 Annual Report

STC
The Bus Company

2012 at a Glance

- Travelled over 3.1 million scheduled miles, serving 287 Saskatchewan communities
- Overall ridership of 282,119 passengers
- Sold 2,147 youth passes during June, July and August
- Transported 30,743 seniors during the May, September and October seat sales
- Passenger satisfaction rating of 92.6 per cent
- Enhanced on-board amenities, maintained security, and continued to make facility improvements
- All coaches fueling in Regina and Saskatoon operated on an average of three per cent canola biodiesel blend
- Total revenue of $15.9 million
- Total expenses of $28.8 million
- Operating subsidy requirement of $9.2 million

Corporate Mandate

The Saskatchewan Transportation Company (STC) is a provincial coach company which provides SAFE, AFFORDABLE and ACCESSIBLE bus passenger and freight services to Saskatchewan.

Table of Contents

Letter of Transmittal **2**
Message from the Minister **2**
Message from the Chair **3**
Message from the President **4**
Achieving Strategic Goals **7**
Divisions of STC **30**
Management Discussion and Analysis **32**
Balanced Scorecard **40**
Financial Results **47**
Corporate Governance **63**
Corporate Directory **82**
Route Map **84**
Corporate Profile **85**
Mission Statement **85**
Vision Statement **85**
Corporate Values **85**

92.6%

At STC, customer satisfaction is our top priority.
92.6% of our passengers agree.

Letter of Transmittal

Regina, Saskatchewan
March 31, 2013

To Her Honour

The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of the Province of Saskatchewan

Dear Madame:

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2012, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by the Treasury Board and have been duly certified by the company's auditors.

Honourable Don McMorris
Minister Responsible for Saskatchewan Transportation Company

Message from the Minister

STC works hard to serve the people of Saskatchewan, and in 2012, this was no exception. Through a network of 287 communities, the organization provides transportation for passengers and freight throughout the province.

STC's passenger base is diverse and is well represented by all demographics of the Saskatchewan population. Families, students, youth, seniors and small business people all ride with STC on a regular basis for a variety of reasons such as work, education, medical, or leisure. Whether it is the free Wi-Fi on board, or the fact that STC provides wheelchair accessible service, STC is a preferred travel choice for many who cite convenience and cost as the main reasons for their decision to utilize STC services. Increasingly, riders are also suggesting that they are riding with STC for environmental reasons as bus travel is becoming recognized as one of the most environmentally friendly forms of travel.

STC also works in support of growing industries in the province. Agriculture, healthcare, mining, and oil and gas sectors utilize the services of STC to move their people and packages throughout the province in a timely and secure manner.

While publicly-owned, the company focuses on cultivating partnerships with the private sector and seeks agreements with local businesses to assist in the provision of service. Agency agreements and carrier contracts allow STC to offer a broad network of connections throughout Saskatchewan.

The following report details the past year at STC. The importance of the mandate remains: to provide safe, affordable and accessible bus passenger and freight services to Saskatchewan. On behalf of the government of Saskatchewan, I would like to thank the Board and staff of STC for their hard work and dedication to serving the people of Saskatchewan. Thank you to those customers who trusted STC for their transportation needs in 2012.

Honourable Don McMorris
Minister Responsible for Saskatchewan Transportation Company

Message from the Chair

A look at STC's 2012 Balanced Scorecard results show how valuable bus transportation is to our customers. Even as STC faced a number of challenges in the industry, customer satisfaction remained extremely high at 92.6 per cent and more than 280,000 trips were taken.

Following two years of growing ridership, changes to the industry in Alberta and Manitoba had a significant impact on STC in 2012. Route cutbacks in these two neighbouring provinces limited opportunities for people looking to travel out of province. Connections were less convenient and some destinations were no longer available. These changes had a negative impact on revenue as ridership levels fell for the first time in three years.

STC identified the challenges early in 2012 and developed promotions during the year in order to stimulate ridership. Our popular senior seat sale, traditionally held in May and September, was extended to include October. We were also more proactive in our Ride Rewards passenger loyalty program, offering members the chance to ride for $15 in November. These measures were effective in boosting ridership and limiting the financial impacts of the industry changes, but they were not enough to completely counteract the loss of connections in our neighbouring provinces.

Improving the on-board experience for passengers has long been a focus of the company, but the renewed focus on amenities and excellence in service over the better part of the last decade has yielded continually positive results. I am happy to report in 2012 that our most popular amenity, complimentary Wi-Fi service, was installed on 100 per cent of the company's fleet. We will continue to focus on the customer experience and ensure that amenities, such as cup-holders, 110 AC power outlets and extended legroom, are added to the fleet as soon as possible.

STC's parcel express business continues to serve thousands of customers and moves more than a million pieces of freight annually. An increased focus was placed on customer service and on emphasizing relationship building with private sector businesses that utilize our services for freight forwarding. Express customer satisfaction is now a key measurable for the company. In 2012, feedback from our Express Customer Survey established our benchmark of 84 per cent customer satisfaction. STC intends to grow that level of satisfaction through continued emphasis on customer service excellence.

STC is committed to providing the people of Saskatchewan with the best value for its investment. While the level of subsidy is a concern for everyone at STC, it must be remembered that STC provides a necessary service to urban and rural people of Saskatchewan that are dispersed across a vast province and many have no other means of transportation. Thus, while costs are minimized at STC, it is of paramount importance that we maintain customer service standards that our residents deserve. We appreciate the investment of our stakeholders and we are confident that the company is moving forward as efficiently as possible.

Despite the industry challenges in 2012, we have made progress in modernizing the company. Our organization is lean, focused on efficiency, and dedicated to excellent customer service. Our superb customer satisfaction levels would not exist without the contributions of everyone at STC. On behalf of the Board, I wish to thank the staff for their dedication and hard work and their commitment to serving the people of Saskatchewan with a safe, affordable, and reliable bus service.

Jonathan Abrametz
Acting Chair of the 2012 Board of Directors

Message from the President

In many ways, 2012 was another successful year for STC. The company achieved high levels of customer satisfaction despite the ongoing changes in the industry. STC was also able to improve upon its employee satisfaction levels despite heavy workloads created by the challenging market conditions that make recruiting and retaining employees difficult in our booming province. However, unlike the previous years' results where ridership was growing, the negative effects of industry change caused a decline in ridership of 2.1 per cent when compared to 2011.

The changes to the Canadian bus industry began to have an impact on STC in late 2011. At that time, Greyhound Canada publicly announced significant reductions in scheduled service in Alberta. Further cuts were made in that province in early 2012, and by mid-2012 significant route reductions were implemented in Manitoba. The basis for these reductions was that the routes were no longer economically viable. As a result of these reductions, STC's connections became substantially less convenient for passengers or were eliminated altogether. This, in turn, reduced travel on STC's network and, in an effort to be as efficient as possible, prompted STC to modify frequency of service on certain corridors and eliminate service to route end-points that were no longer viable.

Initial estimates were that ridership could be down as much as eight to 10 per cent in 2012 as a result of the lost connections in neighbouring provinces. During the first half of 2012, ridership was indeed down significantly. Over the course of the last half of the year, the Company successfully took steps to extend seat sales and run additional promotions to encourage ridership growth within our province, despite the loss of out-of-province connections.

Although STC finished 2012 with a drop in ridership of a little more than 2 per cent, we are encouraged by the responsiveness of the Saskatchewan marketplace to our sales and promotions. It is indicative of the opportunity that still exists for STC to continue to add ridership to its base. Furthermore, the passengers that are experiencing STC's service for the first time in years are very positive with their comments on the convenience, cleanliness and comfort of the service we provide. We believe there is still tremendous value in the service that STC offers.

STC continued to make inroads on key passenger demographics. STC supports youth and students, including aboriginal populations, as they obtain an education to meet our workforce requirements through transportation to educational institutions. Seniors have access to transportation for appointments or connections with family. People with medical conditions, young and old, ride with STC daily to access health services in our major centres. Increasingly, business people are riding with STC to remain productive during travel time by utilizing the Wi-Fi on board. New citizens to Saskatchewan are a growing passenger demographic who find the provincial transportation network very valuable. STC also offers wheelchair accessible service and, as a result, offers a very important service to those that have little or no other options for travel. For all of these groups, the quality of life is positively impacted by the services provided by STC.

As with other forms of public transit, STC requires a subsidy to operate. STC's ratio of operating cash loss (which is generally equal to the annual subsidy required) to overall company expenditures is favorable when compared to other public bus transit services. STC's measure, as reported in the Balanced Scorecard later in this report, shows that STC currently requires about 37.8 per cent of its expenditures to be funded annually through subsidy. Looking at this another way, STC receives roughly one-third of its revenue from passenger services, one-third from freight services, and one-third in the form of subsidy.

Regardless of the size of the subsidy, STC employees work every day to find opportunities to minimize our operating costs with the objective of lowering the overall subsidy. While the employees of STC are mindful of this financial objective, they are also committed to the Company's service mandate. That is, to provide safe, affordable and accessible bus passenger and freight services to Saskatchewan. In that regard, STC employees make every effort to ensure that our passengers are transported safely and are given the best experience possible when using our services. As an example, STC continued to invest in new fleet assets in 2012, and added amenities to coaches to ensure that our passenger's comfort and convenience is enhanced. STC completed the installation of Wi-Fi on 100 per cent of its coaches in 2012.

STC's fleet investment strategies are carefully considered in order to minimize the amount of funding required. One of the ways in which the company achieved this in 2012 was through the acquisition of four pre-owned coaches. These coaches were purchased at a significant cost savings when compared to the price of a new coach. Another initiative that was undertaken in 2012 for the first time in company history, was the refurbishment of an older coach in our fleet. The refurbishment is an opportunity for STC to efficiently extend the life of coaches with certain features that are not available on the used market. Without such a refurbishment, STC would be relegated to the position of buying new coaches at a significant premium. A second bus is planned for refurbishment in 2013.

STC serves a wide network of 287 communities in Saskatchewan. This could not be done without the mutually beneficial partnerships we maintain with the private sector. They, along with the staff at STC, work hard to ensure our customers have a safe and enjoyable experience and I am pleased to report that because of their efforts, 92.6 per cent of our passengers rated our service as "excellent" or "good". The stories that I hear on a regular basis about how our agents and staff will go out of their way, and often on personal time, to assist our customers that are in need, humble me. I can't thank them enough for their efforts.

Shawn Grice
President and Chief Executive Officer

achieving strategic goals

STC's strategic goals are focused around five pillars: customer, public policy, financial, people and innovation.

CUSTOMER:
STC meets the needs of customers

PUBLIC POLICY:
STC is a good corporate citizen

FINANCIAL:
STC is a fiscally responsible and accountable corporation

PEOPLE:
STC is a high-quality employer

INNOVATION:
STC is improving and innovating

The following section outlines STC's accomplishments in achieving milestones towards these goals in 2012 and initiatives for moving the company forward in 2013.

Achieving Customer Goals:
STC meets the needs of customers

customers

STC is a customer-focused business with high service standards, which was rewarded with a 92.6 per cent customer satisfaction rating.

STC RIDE REWARDS
STC

MARKETING AND PROMOTIONS

STC ran a province-wide advertising campaign in 2012 with a goal of increasing the awareness of STC and enhancing the image of bus travel as a clean, safe, and comfortable option. As part of this campaign, seat sales are utilized to encourage new passengers to ride with STC while building positive relations with current customers.

The most popular of these promotions is the $10 senior seat sale, which ran in May and September. For the first time ever, the sale was extended to October with the hopes of enticing even more seniors to ride with STC. The strategy of extending the sale was very successful as the company had a 25.7 per cent ridership increase in October, 2012 over the same month in 2011. Overall, STC carried over 30,000 senior riders during the sale months.

The youth pass promotion was again offered in June, July and August of 2012. For $45, those ages 12 to 25 were able to take unlimited rides on STC's network over a calendar month. STC will evaluate the program further for 2013's seat sale season as sales of the pass fell to 2,147 as compared to 3,069 in 2011, due in part to the modest increase in price.

2012 was the first full year of STC's passenger loyalty program - Ride Rewards. Ride Rewards members receive regular emails that highlight STC discounts, promotions, and seat sales. The benefit of the Ride Rewards program is that it allows the company to reach out to our participants via email. During the year, STC launched two flat fare promotions to Ride Rewards members, both which assisted with increasing ridership and membership.

STC began offering exclusive seat sales through its Ride Rewards passenger loyalty program in 2012 to encourage participation. In June, the company soft-launched a flat fare offer. In November, the company repeated the program, this time devoting advertising resources with great success. The November sale helped trigger passenger growth in that month. Total passenger numbers improved by 9.4 per cent as compared to November 2011. The company will continue to put an emphasis on this passenger loyalty program in 2013.

STC also entered new agreements with private sector partners in 2012 to increase corporate ridership. The company introduced a Ride and Stay package with Manitou Springs Hotel & Spa where customers could get a one night's stay and return transportation for a flat fee. As part of the agreement, Manitou Springs serves as an agency for STC so that passengers can get dropped off and picked up right at the hotel lobby.

AMENITIES

Seeking ways to improve the on-board experience of passengers is consistently emphasized at STC. The company takes pride in a customer satisfaction rating of 92.6 per cent and firmly believes that first time passengers will become repeat riders because of the experience STC provides.

Responding to the increasing trend of "staying connected", STC installed Wi-Fi on 100 per cent of coaches in 2012. Wi-Fi service has been identified by STC customers as the most desirable amenity. All STC passengers now have the ability to stay in touch, browse the web, do homework, or conduct business while travelling. Power charging stations are also installed at the Saskatoon, Regina, and Prince Albert terminals where STC provides Wi-Fi and a workspace for passengers.

Continuing improvements to the experience also included more coaches with AC power outlets, blinds, and extended leg room.

The fleet upgrade plan saw six coaches acquired in 2012. Due to market conditions in the United States, four high-quality and low-mileage pre-owned coaches were purchased. These purchases increase STC's fleet reliability and passenger comfort. Two mid-size coaches ordered in 2011 were delivered in 2012 and deployed along routes that matched appropriate volumes of passengers and freight.

The company also investigated coach refurbishment options in 2012. The refurbished coach will join the fleet early in 2013.

ACCESS TO SERVICES

In 2012, STC served 287 communities in Saskatchewan and interlined with private carriers to many other points in the province and beyond. STC is committed to making its services accessible to as many people as possible through its wide network, from the business traveller looking to make travel time productive, to the university student who needs an affordable travel option to visit family, or the rural senior who needs to travel to an urban centre for medical treatment.

The company takes pride in offering transportation to those with limited options such as children travelling alone, those who require attendants, and passengers who are wheelchair dependent. In 2012, 26 per cent of STC's buses were wheelchair accessible. STC's passenger service is also a popular travel option for new immigrants to Saskatchewan, allowing them to connect with cultural communities in other centres. STC's buses travel over 3.1 million scheduled miles every year and carry a diverse ridership to an equally diverse set of urban and rural destinations.

INDUSTRY IMPACTS

Several industry changes impacted STC operations and altered ridership expectations in 2012. Changes and route cuts by other carriers are a concern for STC going forward as passengers looking to travel outside of Saskatchewan rely on these other transportation companies. Maintaining a positive relationship with other industry players is essential to sustain STC's customer service standards.

In response to changes in Alberta and Manitoba, Greyhound Canada decreased service frequencies on some schedules, while discontinuing others altogether. This made out-of-province travel for many Saskatchewan citizens that depend on STC for in-province service and connections, more problematic. Some notable changes include:

- Greyhound Canada discontinued its north–south daytime schedule passing through Swan River. Since the large number of STC passengers arriving in Swan River transferred to travel beyond Swan River, passenger numbers dropped sharply after the service cancellation was announced. In response to this, STC changed the new end-point to Kamsack.
- Greyhound Canada decreased service frequency from four to two trips daily between Saskatoon and Edmonton. This has made travel to Edmonton a two-day trip for many travellers in Saskatchewan.
- Greyhound Canada eliminated its Alsask - Calgary service in late 2011. Prior to this announcement, STC connected with Greyhound Canada at Alsask to transport passengers travelling west beyond Saskatchewan. STC reached an interline agreement with another private carrier in early 2012 to restore the previous Alsask connection seven days a week and at a more convenient time. However, ridership along the route has not been restored to levels prior to Greyhound Canada's changes.

In order to mitigate the financial impact of the recent industry changes, STC implemented service reductions in July and August 2012. The changes included:

- reducing frequency on the Prince Albert - LaLoche route by one day (or one return trip) per week;
- reducing frequency on the Regina – Nipawin route by one day (or one return trip) per week;
- reducing frequency on the Prince Albert – Melfort route by one day (or two return trips) per week;
- elimination of service to Carievale and Gainsborough with the end-point change to Carnduff; and,
- elimination of service to communities between Kamsack and Swan River.

EXPRESS POS UPGRADE

In 2011, STC upgraded the passenger portion of its Point of Sale (POS) system in many agencies across the province. In 2012, the company completed its POS system upgrade by implementing the freight component of the system software. The Point of Sale system upgrade has many improved features such as route updates, more comprehensive schedule and route information, a more intuitive interface, and makes for shorter wait times for customers at the counters.

ENSURING PASSENGER SAFETY

Safety is always a priority at STC. Ensuring passengers are safe and at ease starts with the company's professionally trained Motor Coach Operators. All operators are required to be certified in CPR and first aid as part of their training and must complete recertification every three years. Each spring, STC honours those operators who reach safety milestones in their careers. Many of STC's drivers have reached one million miles with a continuously clean driving record.

All buses are installed with Global Positioning Systems (GPS) and on-board cameras, both inside and out, for STC's dispatchers to address safety concerns.

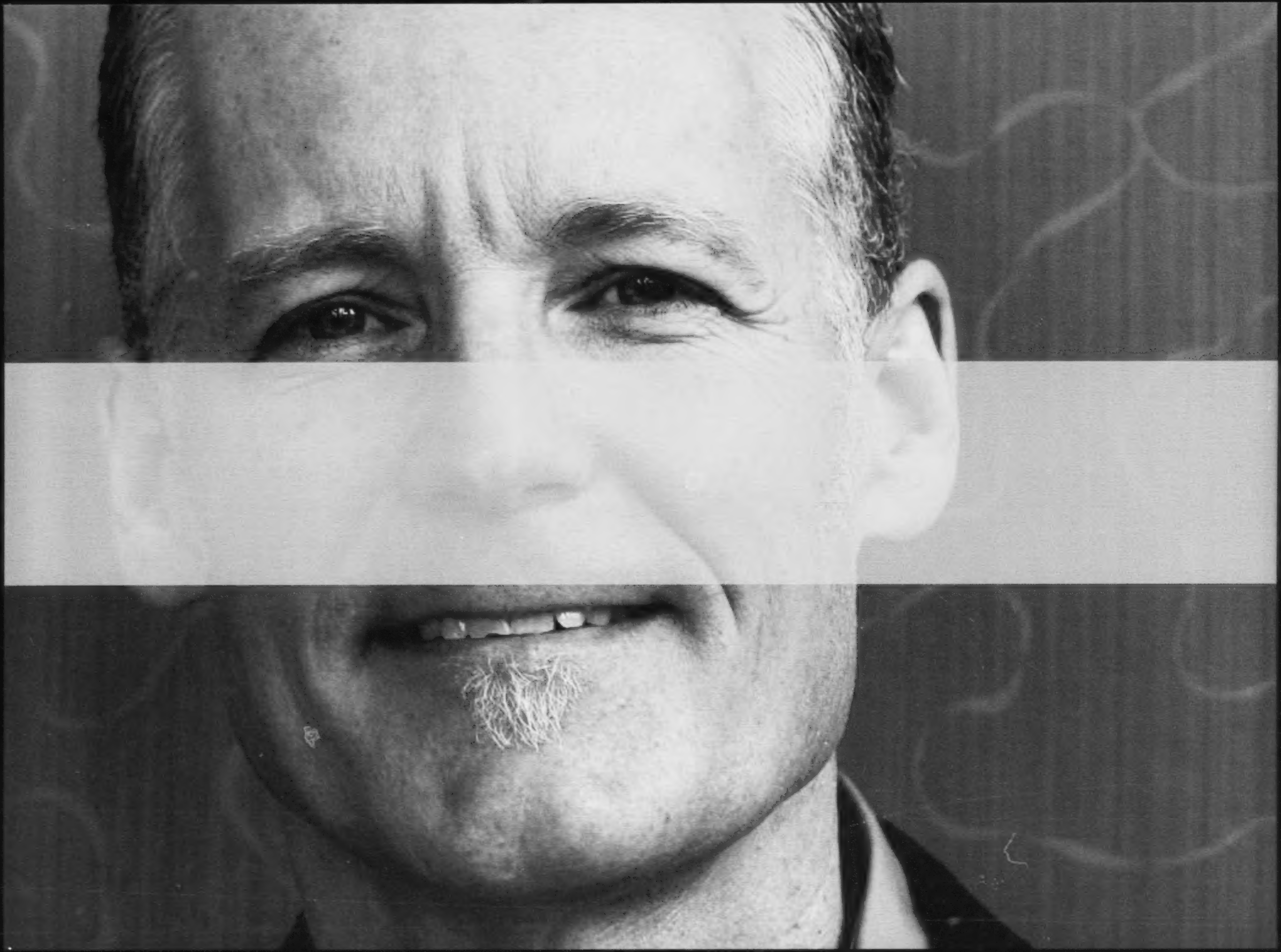
STC maintains a high standard of maintenance and mechanical reliability for its fleet and equipment. Mechanics adhere to a checklist of tests and inspections on every regularly scheduled service to the engine and body of the coach. Major repairs, installations and maintenance work take place at the Saskatoon garage, with the Regina garage performing more routine maintenance and servicing.

Kim Remple, Motor Coach Operator.

convenient

"The best thing about riding the bus is that I don't have to drive.
I could spend three hours driving to Saskatoon or I could spend three
hours on my laptop on the bus being productive on my way to meetings.
That's the biggest thing for me - the time. My time is valuable."

Roy Anderson – Business Owner



Achieving Public Policy Goals:
STC is a good corporate citizen

public policy

President and CEO, Shawn Grice, presents the 2012 STC Agency Growth award to Darcy and Linda Friesen, owners of the Meadow Lake agency.

Whether it is partnering with businesses across the province, or giving back to the communities it serves, STC takes pride in being a good corporate citizen.

ECONOMIC DEVELOPMENT

In 2012, the company partnered with 226 different businesses in 196 communities. STC's relationships with the private sector facilitate economic development in Saskatchewan and allow STC to conduct its business in the most efficient way possible.

COMMUNITY SUPPORT

STC strives to give back to the communities it serves through its sponsorship program. In 2012, the company assisted several community causes, non-profit organizations, and charities.

The company supported the Canadian Red Cross and assisted in their annual Pink Shirt Day that promotes anti-bullying among youth. STC carried thousands of t-shirts to communities across the province for the event. In exchange for shipping, STC received additional exposure to many urban and rural communities on its network.

In August 2012, STC had the special opportunity to be a transportation sponsor for the Wounded Warriors Weekend. Injured ex-soldiers from across Canada and the United States, along with their caregivers and celebrity guests, were transported by STC from Saskatoon to central Saskatchewan for a weekend retreat of outdoor activities and fellowship.

STC's corporate sponsorship goes beyond in-kind and prize donations. Every year, the company raises money for charity through their staff barbeques and other fund raising events. In 2012, the Children's Hospital Foundation of Saskatchewan, Souls Harbour Rescue Mission, and the "Walk of Hope" for Ovarian Cancer received donations thanks to the efforts of STC employees. Other benefactors of STC's generosity in 2012 include organizations such as the Terry Fox Foundation.

ENVIRONMENTAL RESPONSIBILITY

STC continues to place a high level of importance on environmental stewardship and it remains one of the corporation's top values. By its very nature, bus transportation is helpful to the environment. Transport Canada reports bus travel as having the lowest social cost (air pollution, greenhouse gas emissions, noise, road congestion and accidents) per passenger kilometre as compared to any other form of transportation.

In 2012, 94.9 per cent of passengers reported they were aware of the green benefits of STC.

STC has set targets to implement environmentally friendly initiatives annually as part of the corporation's Balanced Scorecard. In 2012, the company introduced Diligent Board Books which reduces paper consumption, and has completed installation of recycling stations at the Regina, Saskatoon, Prince Albert and Moose Jaw terminals.

Plastic
Glass

New recycling stations were deployed in STC's main terminals in 2012.

inclusive

"I just have to phone or go online a couple of days in advance to let them know I'm taking a trip, and they are always willing to accommodate my power chair."

Melissa Northe – Coordinator of Inclusion for Transport Action Canada

Achieving Financial Goals: *STC is a fiscally responsible and accountable corporation*

financial

STC requires a grant to fulfil its public policy role; therefore, financial controls, operational efficiencies and revenue generation are key areas for the organization.

FINANCIAL CONTROLS

STC has strict internal financial and reporting controls for all levels within the organization. STC's Chief Executive Officer and Chief Financial Officer are required to certify that these controls have been implemented and are operating effectively with no material weaknesses (also known as CEO/CFO Certification). In place since 2009, this certification process is evidence of the importance of accurate public financial reporting to STC.

STC's approach to corporate governance is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices.

In 2012 STC received a Corporate Reporting Award from the Canadian Institute of Chartered Accountants for its 2011 Annual Report. Competing in the Provincial Crown Corporation category, this is the second such award STC has received in the three years of the category's existence. The volunteer panel of judges included chartered accountants, financial analysts, investor relations practitioners, and experts in electronic disclosure, sustainable development, and corporate governance. In particular, the judges took note of STC's use of graphics, a well-organized Management Discussion and Analysis section, and a clear and concise corporate governance scorecard in its report.

OPERATIONAL EFFICIENCY

STC requires a grant from Crown Investments Corporation of Saskatchewan (CIC) to fulfil its public policy role. Thus, the company's financial performance is based on its operational efficiency and measured against the grant. Yearly financial targets are calculated through "passenger services loss per mile," and "operating cash loss as a percentage of expenditures". STC did not meet either of these targets in 2012 due to revenue shortfalls from ridership losses encountered as a result of industry changes.

STC constantly reviews costs when conducting its business practices. STC takes regular steps to ensure it is running as efficiently as possible through processes such as annual route reviews and lean operational reviews. All efficiency measures are considered against STC's desire to not sacrifice customer service standards. The company is proud to report 92.6 per cent of passengers rate STC's service as "good" or "excellent".

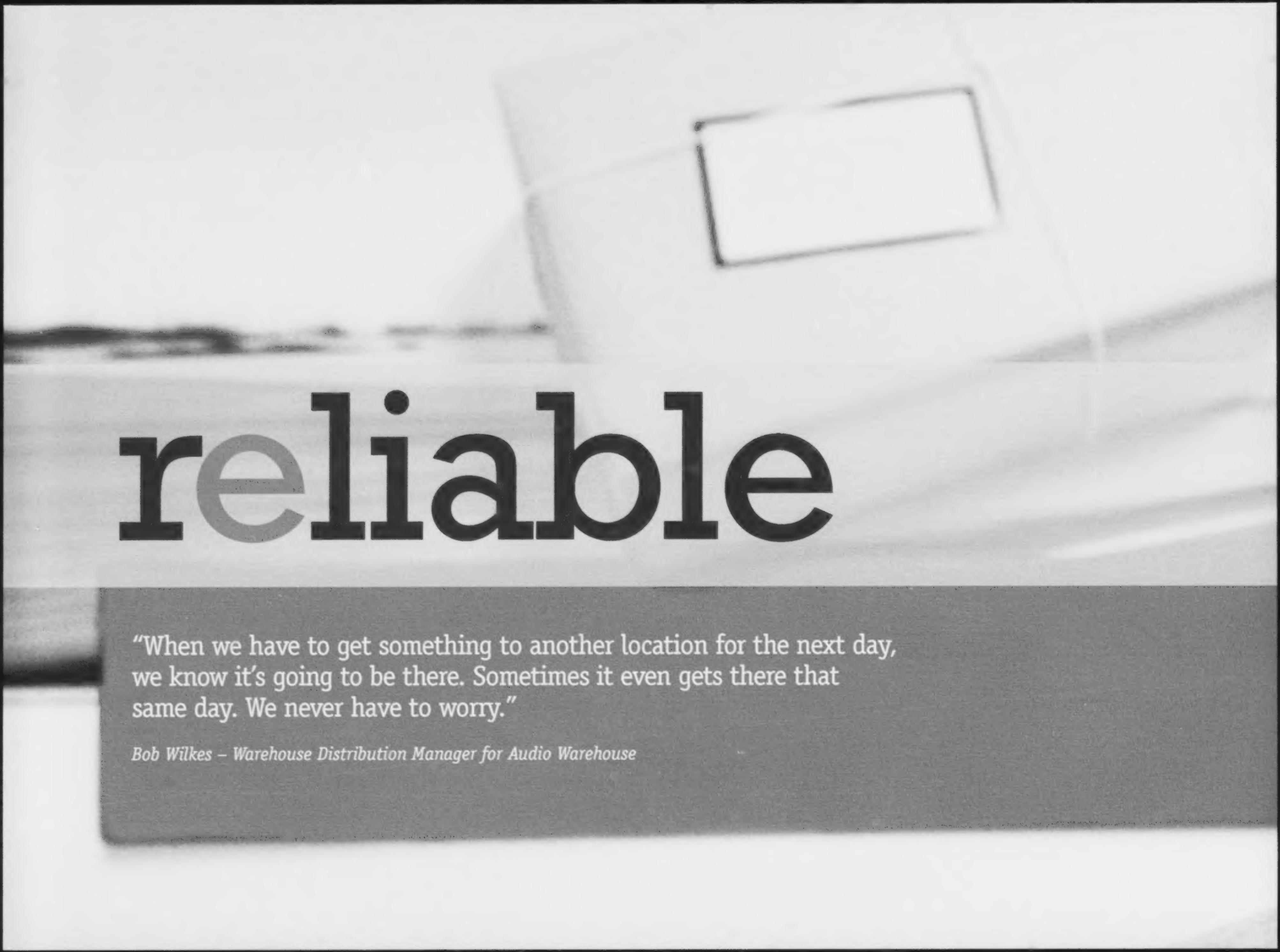
OTHER REVENUE

The company seeks to diversify its revenue streams to help contain the subsidy. Profits from parcel express, leasing company facilities, and signage on STC property help offset the passenger service losses. Identifying alternative revenue sources will continue to be a priority for the company in 2013.

LEAN

Lean transformation analysis was introduced to STC in 2010. The company engaged consultants to identify efficiency opportunities in motor coach maintenance, parts management, and service line processes. STC continued to work on applying lean principles and fostering a lean culture in its maintenance division. In 2012, the review focused on the service line, where coaches are cleaned, refueled and prepared for the next trip. A key benefit of this review is that comprehensive training manuals for coach cleaners and service attendants have been created and are being utilized. This will allow for more consistent fleet servicing and a consistent customer experience in the coach.

STC now has a core team of fleet maintenance staff trained in lean processes and plans to complete future reviews on its own without external consultant engagements. STC maintenance personnel can now conduct cost-effective reviews in-house and efficiencies in time savings and parts management have been achieved and will continue to be explored in 2013.



reliable

> "When we have to get something to another location for the next day, we know it's going to be there. Sometimes it even gets there that same day. We never have to worry."

Bob Wilkes – Warehouse Distribution Manager for Audio Warehouse

Achieving People Goals:
STC is a high-quality employer

people

Patti Fry, Manager of Financial Services (right) congratulates one of STC's 2012 long-serving employees Denise McAllister, Accounting Clerk (left).

STC's team of professionals is critical to the organization's success and attainment of the company's vision of being the best passenger and freight transportation company in Canada.

EMPLOYEE COMMITMENT

Customer service is STC's top priority and is stressed to employees at every level and in all departments. Customers interact with multiple employees every trip – from ticket agents and drivers to custodians and head office employees – and the checklist to ensure customer service standards are met is lengthy.

STC has methods in place to improve its customer service. Regular communication tools such as quarterly meetings, the employee intranet site and bi-monthly staff newsletter are used to communicate plans, company standards, and to keep staff informed. Employee functions like annual summer barbeques intend to keep morale high and staff engaged in community support initiatives.

RECRUITMENT AND RETENTION

As a byproduct of Saskatchewan's growing economy, recruitment and retention of employees is an emerging obstacle in the marketplace. Recruiting and retaining skilled and talented workers is becoming more competitive in the transportation industry.

In order for STC to maintain its customer service standards, the company must recruit and retain talented people to its workforce. An aging population coupled with Saskatchewan's robust economy has made recruitment a challenge for companies across the province, STC being no different.

In 2012, STC strengthened relationships with employment agencies, attended several job fairs, and made targeted use of technology in the ongoing effort to recruit talented employees. Internship programs such as Gradworks are used to alleviate some workforce challenges and provide real learning opportunities for recent graduates.

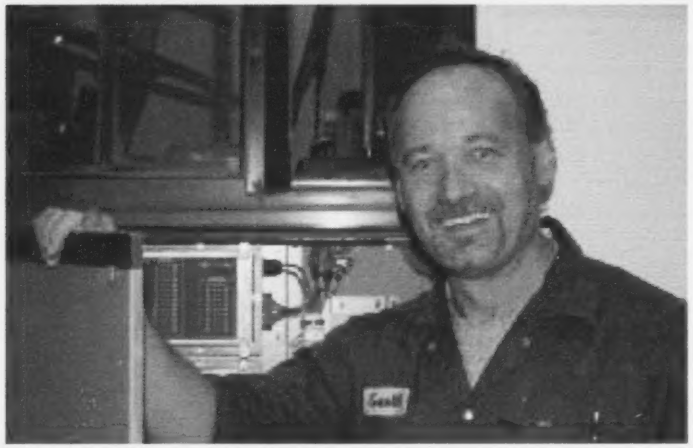
STC is proud to have a workforce representative of Saskatchewan's general population. Aboriginal and visible minority employees bring valued diversity to the organization. As part of the company's Balanced Scorecard, STC tracks the year-to-year staffing levels of various minorities with the goal of creating a diverse workforce. In 2012, the company continued to work to attract diverse and talented people to its team.

TRAINING AND DEVELOPMENT

Training and development is stressed at STC to give employees the skills they need to succeed in their positions. Job specific training, safety training, and certification programs were undertaken by employees in 2012. Not only does training build knowledge among STC's workforce, it encourages engagement and a customer focused attitude.

EMPLOYEE SATISFACTION

Ground work on employee engagement was done to start the process of improving employee retention. The company measures employee satisfaction through a voluntary company survey distributed every year. This tool is a valuable resource for STC officials to determine strengths and weaknesses of company-employee relations. Feedback from the surveys helps STC determine its yearly human resources plan.



Garth Walker, Assistant Body Repair Technician.

considerate

"The bus drivers really pay attention. They are always there to help you on and off the bus and they go out of their way to accommodate you."

Lori Bacheldor – Passenger Customer

Achieving Innovation Goals:
STC is improving and innovating

innovation

All STC buses are equipped with free Wi-Fi.

STC is constantly looking at new ways to provide valuable services to riders and freight customers across Saskatchewan.

CROSS-PROMOTIONAL OPPORTUNITIES

STC seeks cross-promotional opportunities as an innovative and cost-effective way to increase the company's public profile. STC and CTV Saskatchewan continued their partnership in 2012 to great success. STC provides a charter bus to the CTV News cast and crew as it travels to different communities across the province to broadcast the live evening news. STC receives significant exposure in 20 communities per year, along with an advertising presence from this agreement.

STC also developed partnerships within the tourism sector. STC and tourism operators partnered to provide "ride and stay" packages to travellers. Promotions highlighted the tourism destination and the preferred mode of transportation being the bus.

MOVING CLOSER TO THE CUSTOMER

STC is also developing creative partnerships that provide customers with easier access to STC services. In 2012, STC established a passenger ticketing capability on the Campuses of the University of Regina and University of Saskatchewan. This provides students with a convenient point of sale for tickets to destinations across Saskatchewan and Canada.

STC partners with Custom Pack and Ship in Regina to give customers a convenient alternative to shipping from the city's downtown terminal. Custom Pack and Ship offers many packing items such as boxes, packaging paper, and bubble wrap, to get parcels to their destinations securely. This location is a drop off point for outgoing STC freight only. All packages carried by STC arrive at STC's Regina terminal.

FREQUENT RIDER CARD

The Frequent Rider Card was introduced in 2012, replacing the Way-To-Go pass. Advertising was used to make the card more visible in the marketplace and the new name better communicates the card's function to the general public. In 2012, 42 per cent of customers indicated they use the bus more than five times per year and would likely benefit from purchasing a Frequent Rider Card. Promotion of the card will continue to increase awareness of the program and get the card in the hands of more passengers.

THE ECONOLETTER

STC launched a new product to Express customers on February 1, 2012. The Econoletter is a rigid envelope which accommodates documents with dimensions of up to 8.5" x 11" and weighing up to one pound. The rigid envelope design was chosen as it does not bend easily and is likely to be more attractive to shippers wanting to send documents with STC. Over 30,000 Econoletters were purchased by Express clients in 2012.

STC
CTV
NEWS

STC partners with CTV Saskatchewan to put on the Hometown Tour in the spring and fall.

excellent

"We employees at STC pride ourselves on always doing our best each and every day. It's good to see all of our hard work reflected back to us with a customer satisfaction rating of 92.6% ."

Mike Raymond – Assistant Manager of Customer Service

Divisions of STC

CUSTOMER SERVICES AND OPERATIONS

The Customer Services and Operations division is responsible for passenger, parcel express, and maintenance services. The division includes the following components:

Passenger Services

Passenger Services is responsible for ensuring passengers enjoy safe and reliable transportation. Some of its functions are operating motor coaches, issuing of tickets, scheduling, maintenance of tariffs, dispatching of buses and drivers, managing the network of 196 agencies, and the maintenance and management of buildings. In addition to regular passenger services, charter services are also operated and managed in this area.

Parcel Express Services

Parcel Express Services is responsible for the freight and baggage handling for all STC coaches and connecting carriers. Door-to-door pickup and delivery services are also available in Regina, Saskatoon, Prince Albert, and in some designated rural agencies.

Maintenance Services

Maintenance Services' primary responsibility is to maintain clean, comfortable coaches and provide storage for all STC vehicles. These duties are performed in the service garages in Saskatoon and Regina and when required, this group handles on-the-road servicing of STC coaches. Maintenance Services handles the procurement of all corporate vehicles. Cleaning services, maintenance, and storage is also provided on a contract basis for coaches of other carriers.

FINANCE

The Finance Division provides the information required to monitor STC's performance and make effective decisions. The division delivers accurate financial reporting, budgeting and forecasting; assesses risk and insurance requirements; and, monitors internal control functions. In addition, specific groups within the division are responsible for billing and collection of revenue, issuing payments to suppliers, monitoring reports from agencies, and processing reclaims with partner carriers.

CORPORATE SYSTEMS AND TECHNOLOGY

The Corporate Systems and Technology division is responsible for the reliability and integrity of data, electronic communications, software applications and web services at STC. By implementing and maintaining efficient business processes through the introduction of new technologies, it ensures that ticketing and freight systems across Saskatchewan are capable of serving STC's customers 24/7 in a quick and convenient manner.

The division provides technical support across the province to employees operating a variety of systems that support the business, as well as to major customers that have STC shipping systems in their distribution centers.

The Corporate Systems and Technology division is also responsible for procurement and management of all corporate hardware and software.

HUMAN RESOURCES AND PAYROLL

The Human Resources and Payroll Division provides leadership and strategic human resource advice and support to ensure STC has a strong and committed workforce. To ensure a standard of excellence, the division delivers human resource services, including recruitment and retention; labour relations; human resource policy and planning; learning and development; organizational development and design; payroll and benefits administration; occupational health and safety; and, diversity and rehabilitation/return to work programs. The division plays a key role in representing the employer during collective agreement bargaining with the Amalgamated Transit Union Local 1374 and contributing to a positive employer and employee relationship.

STRATEGIC PLANNING AND COMMUNICATIONS

The Strategic Planning and Communications Division is responsible for corporate promotions, communications and strategic planning. It is responsible for promotional advertising, corporate branding, and public relations. Ensuring effective communications between the company and its shareholder Crown Investments Corporation of Saskatchewan (CIC), the media, and the Government of Saskatchewan are important services provided by this area.

The division establishes STC's planning process, its strategic business plans and reports on performance and governance compliance. It also has responsibility for privacy of information and requests under freedom of information legislation.

Top: Regina Terminal, Middle: Saskatoon Terminal, Lower: Prince Albert Terminal

Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) highlights the primary factors that impacted STC operations and financial results of the company for the year ended December 31, 2012. The MD&A provides management's perspective of the corporation for the previous 12 months. It should be read in conjunction with the audited financial statements and accompanying notes. The MD&A includes an industry overview, risk assessment, financial performance, facilities, future outlook and the Balanced Scorecard.

INDUSTRY OVERVIEW

Western Canadian Industry

STC has the bulk of the intercity bus passenger business in Saskatchewan. Greyhound Canada operates two routes through the province (along the Trans-Canada and Yellowhead Highways). There are also a number of private sector carriers who have interline and other contractual arrangements with STC to serve specific areas.

Due to factors such as dispersed populations, fluctuating costs, challenging economic conditions, and competition with other forms of travel, the motor carrier passenger industry underwent significant changes in 2012. Industry changes in Manitoba and Alberta impacted schedules in those provinces and by extension, STC operations.

Within this volatile market, STC's service consistency and recent successes over the last three years of improving overall ridership and improving the on-board experience are a company highlight. STC has reinforced security, safety, comfort, and affordability as brand attributes and seeks to improve public perception of bus travel.

Saskatchewan's economic forecast remains strong. Population migration projections and strong income levels for Saskatchewan families as compared to the rest of Canada create both opportunities and challenges for STC going forward in 2013 and beyond.

Geographically Dispersed Population

Saskatchewan has more than 16,000 miles of provincial highways. Including municipal roads, Saskatchewan's total road surface is approximately 119,000 miles.

In 2012, STC operated more than 3.1 million miles of scheduled bus service and provided connections to 287 communities.

In Saskatchewan, nearly all of STC's routes are low density. Revenues from the higher-volume routes are not able to offset the associated losses. Frequency of service is limited on some routes with low passenger numbers allowing STC to contain costs, but this negatively impacts passenger convenience. Therefore, STC relies on subsidization from its shareholder, Crown Investments Corporation of Saskatchewan (CIC).

Competitive Pressures

STC's ridership profile is increasingly becoming more dispersed among all segments of the population. While many customers choose to use STC out of necessity and do not have access to other modes of transportation, others are choosing to ride with STC because of the convenience, environmental benefits, and the ability to relax or be productive on-board with Wi-Fi. Despite this trend, there are still many that will continue to prefer the convenience and flexibility that private vehicles offer. STC manages this by effectively communicating the numerous benefits of bus travel in order to overcome this challenge through a variety of promotions, advertising and public communications.

In addition to the private automobile, air service provides alternative transportation between Saskatchewan's major cities, offering frequent, although more costly, service between Regina and Saskatoon – one of STC's profitable routes. STC is proactively communicating to customers the benefits of on-board amenities such as Wi-Fi offered along the Saskatoon - Regina route. In 2012, this amenity became available on 100 per cent of STC's fleet.

Improving Public Perception of Bus Travel

Despite positive reviews from STC customers ("good" or "excellent" combined satisfaction rating of 92.6 per cent in 2012), there remains a negative perception of bus travel in the industry as a whole. STC customers know the company provides good, clean and dependable service. STC's challenge is to utilize media and all other avenues to get this message out to people who have never travelled with STC.

The Canadian Bus Association best summarizes the largest challenge to bus transportation as "despite its benefits, bus is the least understood travel mode and often the least respected."

Management of this industry challenge includes opportunities for STC to better promote its products and services. Continued discount programs are planned for 2013, building on lessons learned in previous years. STC's Ride Rewards loyalty program attracted over 4,200 new members in 2012 providing the company with a cost effective way to reach customers with information on promotions.

RISK ASSESSMENT

Greyhound Canada Service Cuts

STC's business is closely tied to Greyhound Canada through interline arrangements. When Greyhound Canada reduces service to routes that connect to STC routes, STC's image, revenue and subsidy are impacted.

STC agents and ticket office staff sell Greyhound Canada tickets, making STC the face of that organization in Saskatchewan. As Greyhound Canada continues to make service cuts, passenger and parcel customers will be impacted as a result of connections no longer meeting their needs. Identity confusion between the two companies continues to be a risk. In 2008, Greyhound Canada removed its customer service agent in Regina, resulting in nearly all service inquiries being directed at and managed by STC staff.

On October 24, 2011, Greyhound Canada eliminated service between Calgary and Alsask, where Greyhound Canada met STC buses from Saskatoon. A provider from Alsask launched a small passenger service in January, 2012 to restore the abandoned route. STC is interlining with this provider; however, passenger and freight volumes have not returned to previous levels.

Other changes impacted STC operations in 2012. In February, Greyhound Canada reduced service from Saskatoon to Edmonton from four trips daily to two. In addition to this change, three Saskatchewan communities – Cut Knife, Neilburg, and Marsden – lost service. The frequency reduction impacted STC passengers and made connections in Saskatoon for same day travel to Edmonton more difficult.

Greyhound Canada also discontinued service that connected with an STC coach in Swan River on July 1, 2012. The majority of STC passengers disembarking at Swan River connected with Greyhound Canada. With the connection being lost, most passengers no longer found STC's service to Swan River useful. As a result, STC was not in a financial position to maintain the route's status quo and adjusted its endpoint on the Regina – Swan River route to Kamsack, thus eliminating service to Arran and the Manitoba communities of Benito, and Swan River.

Fewer connections reduce STC's revenues from Greyhound Canada commissions and caused longer wait times for passengers and express shipments. STC will continue to monitor industry activity in order to determine the effect on its customers.

STC maintains industry relationships to ensure it is aware of industry changes in a timely manner. These include regular contact with Greyhound Canada Executives, membership in the Canadian Bus Association, and relationships with other industry operators to potentially develop interline agreements. The shareholder is also kept abreast of developments in the event that route or frequency changes are required. STC will adjust schedules and staffing as required to reflect industry changes.

Management Discussion and Analysis (continued)

Maintaining and Growing Ridership

A number of factors affect travellers' intentions to use bus transportation. Alternatives such as private vehicle use or air travel, events in the industry, and public perception of the experience all impact the decision regarding which mode of transportation to utilize. A large decrease in STC's ridership will adversely impact STC's revenue, subsidy and public image. STC promotes its passenger services through advertising and pursues initiatives to increase ridership. Seat sales, Ride Rewards, added amenities on buses, and improved security are all areas that STC focused on to try and mitigate negative ridership trends caused by the industry changes.

STC will monitor ridership impacts on the budget and will make necessary adjustments to obtain cost savings.

Recruitment and Retention of Employees

Difficulty in recruiting and retaining employees can adversely affect STC's ability to provide a high quality service. Issues with service may impact STC's image, ridership and subsidy. With a growing number of employees approaching retirement coupled with increased employment opportunities within the province, STC is challenged in both its recruitment and retention initiatives. In 2012, STC saw recruitment and retention difficulties in areas of the company such as positions requiring professional accounting experience, motor coach operators and other front-line positions (i.e. Coach Cleaners, Express Service Attendants).

Mitigation of this risk includes programs to retain employees by increasing employee engagement such as enhancing change management involvement for projects, employee feedback through surveys and employee training and development. Mitigation of recruitment issues is partially addressed through various approaches to attracting employees through advertising of available positions online, in print, through employment agencies when required and by following up on word-of-mouth discussions with people interested in working at STC. A major challenge is to properly forecast staffing needs into the future, matching planned retirements, turnover and growth areas. Managing this, while competing for limited qualified resources is key to the company's success. This reinforces the need for STC to try to ensure that the company's total compensation is positioned competitively in the marketplace.

FINANCIAL PERFORMANCE

Introduction

The financial performance of the company is significantly impacted by its mandate to provide service on the widest practical basis. Because of low population densities, there are insufficient passenger and freight volumes to fully recover all operating costs. Thus, subsidization is required to serve such an extensive network. No dividend was paid to CIC in 2012 and STC will not be in a position to pay one in 2013.

In STC's case, its financial performance is gauged by whether its costs and subsidy are as low as possible. The quality and magnitude of the services provided is relative to expenditures incurred. Total cash loss as a percentage of total expenses (excluding depreciation) in 2012 was 37.8 per cent (34.3 per cent in 2011).

Operating and Capital Grants

STC operations are subsidized through grants received from Crown Investments Corporation of Saskatchewan (CIC), the central overseeing body of Saskatchewan's Crowns. Each year, STC submits its performance measures and grant requirements to CIC for review and approval. In 2012, STC received approval for an operating grant of $9.2 million to cover its estimated operating losses.

STC received an approved 2012 capital grant of $2.3 million to fund capital expenditures. Capital expenses are primarily allocated to fleet and building investments.

Other Revenue Sources

STC generates other revenue through alternative sources to help offset grant requirements. In 2012, this other revenue totaled $858,000 (2011 $1,033,000) and included:

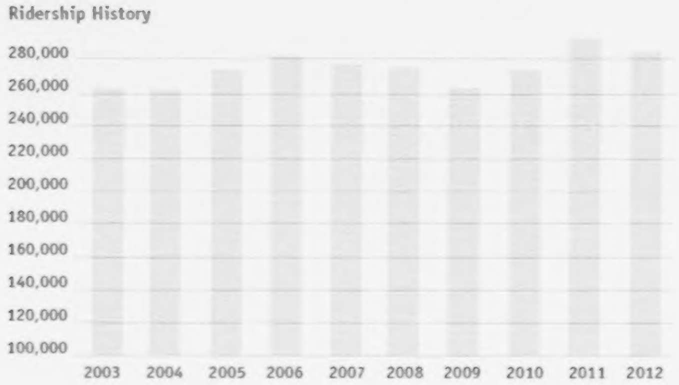
- maintenance and cleaning service provided to other independent bus lines generating $376,000 in revenue;
- leased excess space in terminals and garages totaling $235,000;
- wrapped trailers and buses with advertising and sold advertising on STC property through the use of billboard signs resulting in $71,000; and,
- an additional $53,000 from automatic banking machines and locker rentals.

STC also operates charter services which provided $263,000 in revenue in 2012. The operation of charters provides opportunities to better utilize the bus fleet, as most take place on weekends when fewer scheduled trips occur.

To minimize competition with private charter companies, STC keeps its charter rates somewhat higher than other companies. Requests for service that cannot be accommodated by STC are referred to private sector operators. STC maintains strong working relationships with the private sector and provides extra capacity, when possible, to private charter companies when they have failures or excess demand.

Passenger Service

While overall passenger numbers of 282,119 in 2012 was a two per cent decline compared to 2011, STC's 10 year rolling ridership (following) shows positive strides had been made the previous three years. The fourth quarter of 2012 saw marketing promotions having a positive impact on ridership, which helped to partially offset the negative impact of industry changes in neighbouring jurisdictions. While 2011 numbers may be difficult to repeat, STC's ridership target for 2013 is a one per cent increase on 2012's total ridership.



Ridership History

The table below offers a snapshot comparison of passenger service financial results from 2012.

	2012	2011
Passenger Service Loss Per Mile (Revenue – Cost = Loss/mile)	$2.63/mile ($2.35-$4.98)	$2.44/mile ($2.39-$4.83)
Passenger Service Revenue	$7,412,000	$7,712,000
Passenger Service Operating Expense	$15,682,000	$15,576,000

STC will continue with its successful senior and youth seat sale campaigns. For the first time ever, STC's senior seat sale ran over three months in 2012. In total, over 30,000 senior passengers were carried in May, September, and October. The company will continue to entertain and trial innovative ideas to improve passenger numbers and mitigate the negative impact of industry changes in neighbouring jurisdictions. Successful promotions such as the senior's seat sale were important in 2012 due to the overall decrease in ridership due to industry changes. The company will incorporate other features, such as the Ride Rewards program, into its yearly seat sale plans beyond 2012.

Management Discussion and Analysis (continued)

Parcel Express Service

STC route scheduling and frequency is designed to optimize services for the passenger side of the business. STC, however, has unique strengths with respect to its parcel express service. STC provides service on weekends for a number of schedules, as does Greyhound Canada on routes it serves.

Another strength of STC's freight business is its reach. The breadth of its network is unparalleled by other couriers in Saskatchewan. Valuable packages containing water samples, blood supplies, and agriculture equipment help drive Saskatchewan's rural economy.

STC has programs in place for volume shippers. The company has a large number of corporate customers who do business with STC through charge accounts or a pre-sold waybill program.

Parcel express service tends to be somewhat seasonal for STC, with increased freight activity generally occurring during farm seeding, harvest, construction season, drilling season and the winter holiday/Christmas season.

Profits from STC's parcel express service helps contain its subsidy requirement. The company experienced a 3.6 per cent decrease in revenue for 2012 over 2011. These reductions were due in large part to the changes made in the bus transportation industry in neighbouring provinces that resulted in fewer connections, inconvenient connection times and the elimination of some destinations for shipments. As a result some shippers chose alternative options to move their goods. In addition some large customers have moved towards expanding their internal logistic resources to move their product rather than utilizing STC.

A comparison of expenses and profits are provided in the table below:

	2012	2011
Parcel Express Revenues	$7,654,000	$7,939,000
Parcel Express Expenses	$5,951,000	$5,876,000
Parcel Express Profits	$1,703,000	$2,063,000

Bus Maintenance Services

STC also provides maintenance and cleaning services for other bus companies, providing revenue streams of $376,000 for 2012, compared to $538,000 in 2011. Expenses associated with such work were $217,000 in 2012 compared to $354,000 in 2011. The loss of revenue is reflective of foreign coach revenue decreasing from Greyhound Canada due to the scheduling decreases in the province.

The workload of STC mechanics continues to be prioritized based on STC's own fleet maintenance needs. Maintenance service expenditures for STC coaches and fleet were $3,712,000 in 2012, compared to $3,388,000 in 2011. This is due to a series of engine repairs required in 2012.

STC made a number of fleet improvements in 2012, including installing Wi-Fi on 100 per cent of coaches, and replacing six buses with new, or low-mileage used coaches. STC's lean reviews made maintenance processes more efficient and resulted in parts savings, and the identification of time efficiencies for staff.

Property, Plant and Equipment

Capital spending was $3.0 million in 2012 compared to $0.9 million in 2011. The 2012 capital spending included fleet purchases, the completion of the point of sale system upgrade, and a new bus wash system that were part of the 2011 capital plan. The 2012 capital plan included spending on fleet refurbishment and a new freight truck projects that will be completed in 2013.

STC's capital investment in 2012 included fleet renewal ($2,044,000), other equipment ($428,000), corporate systems and technology ($416,000), and facilities ($64,000). The corporate systems and technology spending included completion of the upgrades to the Galaxy Point of Sale (POS) system.

FACILITIES

STC owns and operates passenger and freight terminals in Regina, Saskatoon and Prince Albert. It owns and operates service garages in Regina and Saskatoon. The company owns a passenger and freight terminal in Moose Jaw, and contracts the operation of the facility to an agent.

Prince Albert

Maintaining consistency with the company's overall commitment to environmental stewardship, the company installed energy efficient lighting in the depot. In addition, the passenger waiting area was re-painted and new flooring was installed in the office area for staff.

Regina

An engineer's inspection of the Regina maintenance facility revealed structural weaknesses in 2012. As safety is paramount to STC, the company undertook an interim solution of repairing the roof of the building in 2012 to extend its short-term life. Options for a long-term solution are being analyzed and developed.

Saskatoon

New lane signage was installed in the Saskatoon terminal in 2012. An automated announcement system informing passengers of loading lanes and times was also introduced. New walls to enhance package security were erected in the freight departments of both Saskatoon and Prince Albert.

STC Facilities	Age (yrs)
Moose Jaw* Passenger and Parcel Express Terminal	17
Prince Albert Passenger and Parcel Express Terminal	18
Regina	
• Passenger and Parcel Express Terminal	4
• Service Garage	64
Saskatoon	
• Passenger Terminal	38
• Parcel Express Building	35
• Service Garage	30

*STC owns the property but does not operate it

Corporate Systems and Technology

In 2012, STC upgraded its express shipping system that has been in use since 2001 with a more modern, efficient and flexible version. This upgraded system has many benefits over the current system and the successful implementation of the shipping phase is benefiting both employees and customers. The system is compatible with many other STC applications, giving STC the ability to eliminate duplication of information and reduce time on system maintenance. STC further progressed with moving existing computing services into a "virtualized" environment, and this strategy has shown a decreased footprint of server infrastructure, power, and cooling.

In 2013, STC will implement further software upgrades including online ticketing for selected origins and destinations.

Fleet and Equipment

STC's coaches range in size from 20 to 55-seats. In 2012, STC operated a total of 43 coaches and 29 freight trailers. STC's coaches are 26 per cent wheelchair-accessible and plans are to increase this figure.

In 2012, STC took delivery of two mid-size coaches, ordered in 2011, as well as four full-size pre-owned coaches and five freight trailers purchased in 2012. All coaches in STC's fleet have global positioning

Management Discussion and Analysis (continued)

systems (GPS) and surveillance capability, 33 per cent have electrical outlets for passenger use and 100 per cent are Wi-Fi capable. These options, along with extended leg room and cup holders, will become standard on future fleet purchases.

Collective Bargaining

The existing Collective Bargaining Agreement expired December 31, 2012. The Company and Union have agreed to start collective bargaining in the first quarter of 2013. Both parties have been working on establishing a constructive business-like relationship and look forward to that relationship being carried through this current round of collective bargaining.

Saskatoon's bus terminal received updated lane signage in 2012.

FUTURE OUTLOOK

STC will continue to seek ways of improving its ridership and revenues while monitoring costs through efficiency measures. STC's business is tied to some non-controllable costs such as fuel. It is the company's responsibility to effectively manage resources it can control to contain its subsidy level.

Investing in fleet, technology, people, and facilities will support strategic goals of increasing ridership while maintaining high passenger satisfaction ratings. Marketing strategies will support the communication of STC to the general public as a clean, safe, and comfortable transit provider.

The company will continue to seek private sector partnerships with agents and interline carriers to strengthen STC's customer service network in Saskatchewan. Other agreements will be leveraged with sponsors and business partners to increase STC's visibility within the community and foster a positive reputation of safe, affordable, and accessible bus passenger and freight service.

Saskatchewan's booming economy and larger population provide opportunities with a larger potential market for STC. However, a growing affluent population often has access to private vehicle and air transportation options. As well, industry changes in neighbouring jurisdictions impact STC's ability to provide convenient connections to destinations in other provinces. Therefore, opportunities such as seat sales and new technology are needed to put STC in a position to improve its passenger and freight volumes going forward.

In order to continue serving customers to a high standard, the company will invest in its employees. STC's customer satisfaction rating of 92.6 per cent is a source of internal pride but improvement will always continue to be sought. Focusing on employee engagement, job specific recruiting and training, and investing in the development of employees will ensure that the people of Saskatchewan are treated to first-rate service.

EXP-23
STC
The Bus Company
www.stcbus.com
BAGGAGE IDENTIFICATION TAG
This is NOT A BAGGAGE CHECK
SASKATCHEWAN
To

2012 Balanced Scorecard

Management's Responsibility for Reporting on Performance

Management has presented its performance information in the Balanced Scorecard.

The information is, to the best of our ability, reliable (that is, reasonably free of errors or omissions and represents what it claims), consistent (that is, prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets), and understandable. To provide a better understanding of the information, management has defined the terms and calculations and has disclosed limitations.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfil this responsibility, the company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information presented is reliable and consistent.

On behalf of the company, on March 31, 2013,

Shawn Grice, President & CEO

Scorecard Discussion

Saskatchewan Transportations Company's Balanced Scorecard (BSC) holds the company accountable to the public. It contains objectives, measures, and targets which were created based on the strategic direction provided by STC's Board of Directors, as well as the overall strategic direction of Crown Investments Corporation of Saskatchewan (CIC).

Following the Saskatchewan Provincial Auditor's audit of the balanced scorecard in 2006, as well as feedback received from CIC, measures and reporting have changed over the past few years. They will continuously evolve to improve alignment with the company's strategic plan, demonstrate STC's contribution to the priorities of the Crown sector, and improve clarity in the reporting of the results.

Discussion of 2012 Results

Customer

- STC passengers continue to be happy with the service the company provides. 92.6 per cent of passengers who voluntarily responded to STC's passenger survey rated the company's services as "good" or "excellent".
- Although STC adjusted fares in April 2012, Greyhound Canada also adjusted fares in 2012. At the end of the fourth quarter, STC was 3.4% below the western Canadian average fare of $32.93.
- The number of communities that STC serves dropped below target to 287. Greyhound Canada schedule adjustments in Manitoba resulted in STC losing connections in Swan River. As a result, Arran lost service when STC eliminated its service between Kamsack and Swan River. As well, STC could not find a new agency in Gainsborough. This route was adjusted to terminate in Carnduff with Carievale and Gainsborough losing service.
- STC owns and operates 43 coaches, 11 of which are equipped for wheelchair accessibility.
- STC has implemented a new Express Customer survey. This first survey has allowed the company to set a benchmark for Express Customer satisfaction at 84%.

Public Policy

- All coaches refueling in Saskatoon and Regina operated on an average of three per cent canola biodiesel blend.
- STC continues to be a steward of the environment. STC met its target with regard to new environmental measures undertaken in 2012 and nearly 95% of passengers indicate they are aware of the environmental benefits of bus travel.

Financial

- While STC requires grants from CIC to fulfill its public policy role, it measures its financial success by setting efficiency targets ("passenger services loss per mile" and "operating cash loss as a percentage of overall expenditures") and by implementing expenditure controls to meet those targets. Key financial measures did not meet 2012 targets largely due to lower revenues caused by decreased ridership and lower express volumes.
- STC was in full compliance with best practices of corporate governance as defined by the Canadian Securities Administrators (CSA). Please see the Corporate Governance section of the Annual Report for details.

People

- In 2012, STC improved the employee survey process and saw the response rate increase to 66%. Along with a higher response, employee satisfaction also grew to 73.1%.
- STC values training among its employees and significantly exceeded the target for the number of safety, technical and professional development training opportunities attended. Key to this was the implementation of Fire Extinguisher Training.
- Serving Saskatchewan with a diverse workforce is important to STC. The company met its targets for women in underrepresented occupations, aboriginal employees, and visible minority workers.

Innovation

- A new partnership with Custom Pack and Ship and the re-establishment of the Frobisher agency mitigated the impact of losing two agency partners (Swan River and Benito) due to schedule changes in 2012.
- Final ridership numbers for 2012 were down 2.1% or 6,045 riders below 2011. The decline was due to Greyhound scheduled passenger service reductions in neighbouring provinces and reduced ticket requisitions generated by agencies in northern Saskatchewan. The decline was partially mitigated due to the success of STC's senior sale in September and October and the Ride Rewards promotion in November.

2012 Balanced Scorecard (continued)

CUSTOMER

WE MEET THE NEEDS OF OUR CUSTOMERS

Objective		Measures	Target 2012	2012 Actual	2013 Target
Customers are satisfied with the service they receive	**M1**	Passenger survey satisfaction rating	92%	**92.6%**	92%
Fares and discounts are competitive and satisfactory to our customers	**M2**	Fares are at or near the Western Canadian Average	- 1% to +4%	**3.4% below WCA**	- 1% to +4%
Routes serve a significant portion of Saskatchewan	**M3**	Number of communities served	290	**287**	253
A portion of our passenger bus fleet is equipped for wheelchair accessibility	**M4**	Percentage of fleet that is wheelchair accessible	26%	**26%**	26%
Parcel express customers are satisfied with the service they receive	**M5**	Parcel express survey satisfaction rating	Establish Benchmark	**Establish at 84%**	84%

PUBLIC POLICY

WE ARE GOOD CORPORATE CITIZENS

Objective		Measures	Target 2012	2012 Actual	2013 Target
Support building our future by protecting our environment	**M6**	Percentage of STC vehicles fuelled in Regina and Saskatoon with an average 3% biodiesel blend	100%	**100%**	Removed from 2013 BSC
	M7	Percentage of passengers aware that bus transportation is environmentally friendly	94%	**94.9%**	95%

FINANCIAL

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

Objective		Measures	Target 2012	2012 Actual	2013 Target
Cash loss is as low as possible	**M8**	Operating cash loss as a percentage of overall expenditures	35.3%	**37.8%**	37.2%
Operating costs are as low as possible	**M9**	Passenger services loss per mile	$2.52	**$2.63**	$2.67
Meet or exceed all Board of Director governance requirements	**M10**	"Best Practices" for Board governance	Full Compliance (FC)	**Full Compliance (FC)**	Full Compliance (FC)

PEOPLE

WE ARE A HIGH-QUALITY EMPLOYER

Objective		Measures	Target 2012	2012 Actual	2013 Target
Employer of choice in Saskatchewan	**M11**	Employee satisfaction survey rating	67%	**73.1%**	74%
We promote safety and career enhancement training for our employees	**M12**	Number of safety, technical and professional development training opportunities attended	100	**188**	180
Support development of a representative workforce in Saskatchewan	**M13**	Percentage of employees from target groups in overall workforce			
		Women in Underrepresented Occupations	16.0%	**18.8%**	Removed from 2013 BSC
		Aboriginal	13.1%	**15.7%**	Removed from 2013 BSC
		Visible Minority	3.8%	**4.8%**	Removed from 2013 BSC
		Persons with Disabilities	9.7%	**3.9%**	Removed from 2013 BSC

2012 Balanced Scorecard (continued)

INNOVATION

WE ARE IMPROVING & INNOVATING

Objective		Measures	Target 2012	2012 Actual	2013 Target
Grow our business operations with other private entities	**M14**	Total agreements and partnerships	226	**226**	204
Build our customer base and promote the Corporation	**M15**	Percentage growth in passenger numbers	1.0%	**-2.1%**	1.0%
Assist Saskatchewan to "go green"	**M16**	New environmental initiatives undertaken	2	**2**	Removed from 2013 BSC

Explanation of Measurement Terms

WE MEET THE NEEDS OF OUR CUSTOMERS

M1 Passenger Survey Satisfaction Rating is the overall satisfaction level of our bus-riding (passengers) customers. This information is obtained through a semi-annual, voluntary, passenger sample survey. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent".

M2 Fares are At or Near the Western Canadian Average and are set within a range of 1% below the Western Canadian average (WCA) to 4% above the average. The WCA is determined by the rates charged at the end of each quarter by Greyhound Canada in Saskatchewan, Manitoba, Alberta and British Columbia.

M3 Number of Communities Served is all communities with at least one of the following: a flag-stop, scheduled passenger service and/or freight-only service.

M4 Percentage of Fleet that is Wheelchair Accessible includes the percentage of total motor coaches owned by STC that have built-in chair lifts.

M5 Parcel Express Survey Satisfaction Rating is the overall satisfaction level of our shipping customers. This information is obtained through survey information that is gathered voluntarily from customers. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent".

WE ARE A GOOD CORPORATE CITIZEN

M6 The total percent of STC Buses Fueling in Regina and Saskatoon With a 3% Biodiesel Blend is 100%. Calculation applies only to diesel powered vehicles. M6 will be removed from the 2013 Balanced Score Card.

M7 Percentage of Passengers Aware that Bus Transportation is Environmentally Friendly. This information is obtained through a semi-annual, voluntary passenger sample survey and represents the total percentage of respondents who rate riding the bus as environmentally friendly. Beginning in 2013, M7 will appear in the scorecard under the Innovation section.

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

M8 Operating Cash Loss as a Percentage of Overall Expenditures is kept as low as possible. The percentage is calculated as the operating cash loss divided by the total expenses (excluding depreciation) for the year.

M9 Passenger Services Loss per Mile is the difference between the passenger expense and revenue per mile. Revenue per mile is calculated as total passenger revenues, divided by the total scheduled miles and service miles. Passenger expense per mile is calculated as the total passenger expenses divided by the total scheduled miles and service miles.

M10 "Best Practices" for Board Governance is measured by either meeting or exceeding all corporate governance requirements as set forth by the Canadian Securities Administrators (CSA) National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices each year.

WE ARE A HIGH-QUALITY EMPLOYER

M11 Employee Satisfaction Survey Ratings are obtained from a comprehensive employee survey. The survey measures the overall satisfaction of STC employees. The survey is conducted annually and responses are voluntary.

M12 Number of Safety, Technical and Professional Development Training Opportunities Attended in the workplace. This represents the total number of employees who attended either an in-house or externally delivered seminar, training session or workshop during the year.

M13 Percentage of Employees from Target Groups in the Overall Workforce includes employees of aboriginal ancestry, visible minorities, disabled employees and women in under-represented occupations. These numbers represent the percentage of employees from each target group in the overall STC workforce (excluding casual employees) as of the last day of each quarter. M13 will be removed from the 2013 Balanced Score Card.

WE ARE IMPROVING & INNOVATING

M14 The number of Total Agreements and Partnerships with private sector entities is summed and reported at the last day of the quarter. The total includes the total number of operating STC agents, interline carriers, contract carriers and pick-up and delivery service operators. It also includes other partnerships and agreements that meet specified criteria to be included in the reported results.

M15 Percentage Growth in Passenger Numbers is the percentage growth in ridership on scheduled routes year-over-year.

M16 New Environmental Initiatives Undertaken represents STC's strengthened strategic focus on the environment. It may include new promotions, partnerships, community support initiatives and workplace/asset enhancements. M16 will be removed from the 2013 Balanced Score Card.

financials

Financial Statements **December 31, 2012**

Management's Responsibility for Financial Reporting

Management has prepared the financial statements of the Company in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

MNP LLP, the Company's external auditors, have examined the December 31, 2012 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the Company,

Shawn Grice President & CEO	Jason Sherwin CFO

February 28, 2013

Annual Statement of Management Responsibility

I, Shawn Grice, the President and Chief Executive Officer of the Saskatchewan Transportation Company, and I, Jason Sherwin, the Chief Financial Officer of the Saskatchewan Transportation Company, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Transportation Company. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2012.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of the Saskatchewan Transportation Company do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

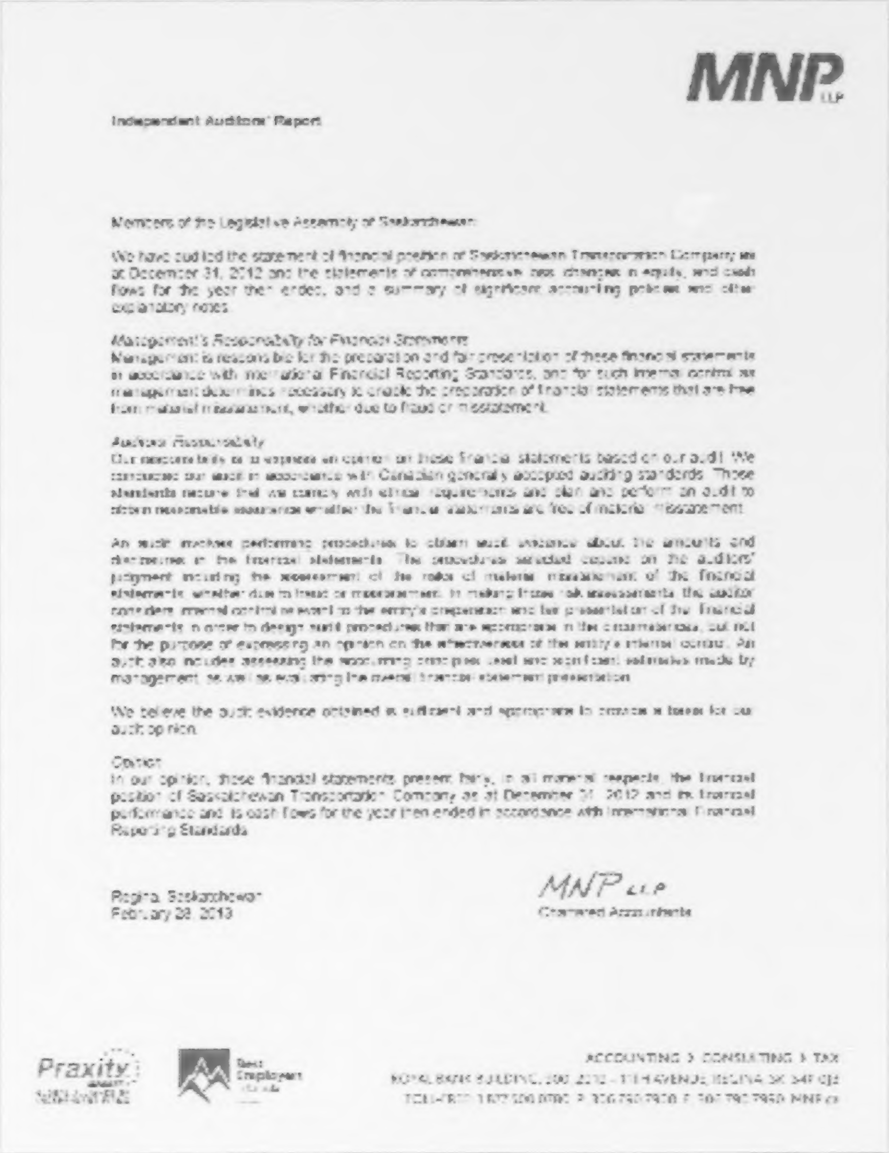
c. That the Saskatchewan Transportation Company is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and the Saskatchewan Transportation Company has designed internal controls over financial reporting that are appropriate to the circumstances of the Saskatchewan Transportation Company.

d. That the Saskatchewan Transportation Company conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, the Saskatchewan Transportation Company can provide reasonable assurance that internal controls over financial reporting as of December 31, 2012 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Shawn Grice
President & CEO

Jason Sherwin
CFO

February 28, 2013



MNP LLP

Independent Auditors' Report

Members of the Legislative Assembly of Saskatchewan:

We have audited the statement of financial position of Saskatchewan Transportation Company as at December 31, 2012 and the statements of comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or misstatement.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Regina, Saskatchewan
February 28, 2013

MNP LLP
Chartered Accountants

ACCOUNTING › CONSULTING › TAX
ROYAL BANK BUILDING, 900 2010 - 11TH AVENUE, REGINA SK S4P 0J3
TOLL-FREE 1.877.500.0780 P: 306.790.7900 F: 306.790.7990 MNP.ca

Statement of Financial Position As at December 31

	(Thousands of Dollars) 2012	2011
Assets		
Current		
Cash	$ 1,043	$ 2,606
Accounts receivable (note 5)	1,178	1,422
Inventories (note 7)	296	376
Prepaid expenses	522	482
Assets held for sale (note 8)	17	-
	3,056	4,886
Non-current		
Property and equipment (note 9)	35,526	35,735
	$ 38,582	$ 40,621
Liabilities and Province's Equity		
Liabilities		
Current		
Trade and other payables	$ 2,634	$ 3,333
Non-current		
Deferred capital grant (note 12)	28,886	29,257
	31,520	32,590
Province of Saskatchewan's Equity		
Contributed surplus	465	465
Retained earnings	6,597	7,566
	7,062	8,031
	$ 38,582	$ 40,621

See accompanying notes

Approved by the Board on February 28, 2013

Jonathan Abrametz
Director

Mervin Schneider
Director

Statement of Comprehensive Loss Year Ended December 31

	(Thousands of Dollars) 2012	2011
Revenue		
Express services	$ 7,654	$ 7,939
Passenger services	7,412	7,712
Other	858	1,033
Loss on disposal of property and equipment	(3)	(12)
	15,921	16,672
Expenses		
Operating costs other than those listed below	10,339	10,583
Salaries, wages and short-term employee benefits	15,280	14,813
Depreciation (note 9)	3,142	2,691
	28,761	28,087
Loss before the following	(12,840)	(11,415)
Operating grant (note 13)	9,200	8,700
Capital grant (note 12)	2,671	2,416
Total comprehensive loss	**$ (969)**	**$ (299)**

See accompanying notes

Statement of Changes in Equity

(Thousands of Dollars)
Attributable to the Province of Saskatchewan

	Retained Earnings	Contributed Surplus	Total Equity
Balance at December 31, 2010	$ 7,865	$ 465	$ 8,330
Total comprehensive loss	(299)	-	(299)
Balance at December 31, 2011	7,566	465	8,031
Balance at December 31, 2011	**7,566**	**465**	**8,031**
Total comprehensive loss	**(969)**	**-**	**(969)**
Balance at December 31, 2012	**$ 6,597**	**$ 465**	**$ 7,062**

See accompanying notes

Statement of Cash Flows Year Ended December 31

	(Thousands of Dollars)	
	2012	2011
Operating Activities		
Total comprehensive loss	$ (969)	$ (299)
Items not involving cash:		
Depreciation (note 9)	3,142	2,691
Loss on disposal of property and equipment	3	12
Recognition of capital grant (note 12)	(2,671)	(2,416)
Net change in non-cash working capital (note 15)	(415)	373
Cash (used in) provided by operating activities	(910)	361
Investing Activities		
Additions to property and equipment (note 9)	(2,953)	(876)
Proceeds on disposal of property and equipment	-	2
Cash used in investing activities	(2,953)	(874)
Financing Activities		
Capital grant received (note 12)	2,300	2,000
Cash provided by financing activities	2,300	2,000
(Decrease) Increase in cash	(1,563)	1,487
Cash, beginning of year	2,606	1,119
Cash, end of year	$ 1,043	$ 2,606

See accompanying notes

Notes to Financial Statements Year Ended December 31, 2012

1. STATUS OF THE COMPANY

The Saskatchewan Transportation Company ['STC' or the 'Company'] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under The *Crown Corporations Act, 1993*. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 1717 Saskatchewan Drive, Regina, SK, S4P 2E2.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

STC is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income taxes in Canada.

STC's passenger rates are subject to rate regulation by the Motor Carrier Committee of the Saskatchewan Highway Traffic Board, which is a related party. The committee reviews applications for operating authority certificates under the Traffic Safety Act, and fixes rates and conditions of carriage for holders of these certificates or licenses of authority. STC holds operating authority on the routes it operates, but must seek approval for passenger rate changes from the Motor Carrier Committee.

2. OPERATIONS AND FINANCING

As a matter of public policy, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. The Company will ensure that its commitment to servicing the province of Saskatchewan is kept uppermost in all of its planning. As a result of the public policy rationale for the operation of certain non-commercial routes, STC continues to be dependent upon CIC for its funding.

By way of Orders in Council #29/2012 STC was authorized to obtain grant funding up to $11.5 million (2011 - $10.9 million, Order in Council #16/2011) for operating and capital requirements in 2012. During the year, STC requested and received $11.5 million of the $11.5 million authorized (2011 - $10.7 million of the $10.9 million authorized).

3. BASIS OF PREPARATION

a. Statement of compliance

The year-end financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Tangible assets are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss. The accrual for compensated absences is based on historical usage.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Cash

Cash is measured at fair value which approximates cost.

b. Inventories

Inventories of vehicle parts and supplies are stated at the lower of cost and net realizable value and are costed using the first-in, first-out (FIFO) method.

Notes to Financial Statements (continued)

c. **Property and equipment**
Property and equipment are recorded at cost less accumulated depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in total comprehensive loss as incurred.

When property and equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of comprehensive loss for the period.

d. **Non-financial assets held for sale**
Non-financial assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-financial assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

e. **Operating grant revenue**
Operating grants from CIC are recognized as revenue when received.

f. **Capital grant revenue**
Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Company recognizes a portion of the capital grant as revenue each year equivalent to the amount of depreciation recognized on the assets acquired with the grant funds.

Capital grants related to the acquisition of land and related costs are recognized as a direct increase in retained earnings.

g. **Depreciation of property and equipment**
Depreciation is recorded on buildings, vehicles, and equipment, on the straight-line basis over the estimated productive life of each asset. Depreciation commences when the property and equipment is ready for its intended use. The estimated useful life of property and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. The estimated useful lives are reviewed annually and any changes are applied prospectively.

The estimated useful lives of the major classes of property and equipment are as follows:

Buildings	10 - 50 years
Vehicles	5 -15 years
Other equipment	3 - 10 years

h. **Impairment of non-financial assets**
At each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Notes to Financial Statements (continued)

i. **Revenue recognition**
Passenger and express service revenue is generally recognized upon the completion of service. Interline passenger and express services are treated as being complete when the passenger or parcel is turned over to the connecting carrier.

Other revenues, including charter, space leasing, bus advertising, vending, and maintenance, are recognized when earned.

j. **Employee benefits**
The Company participates in two pension plans. One is a defined benefit plan established pursuant to the Public Employees Benefits Agency. The other is the Capital Pension Plan which is a defined contribution plan sponsored by CIC. STC's contributions to the defined benefit plan and the defined contribution plan are expensed during the period. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligations to each plan is limited to making regular payments to match the amounts contributed by the employees for current services.

k. **Financial instruments**
The Company classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; held-to-maturity; loans and receivables; and other liabilities.

All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for financial assets classified as fair value through profit and loss, in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of comprehensive loss. Financial instruments classified as loans and receivables and other liabilities are subsequently measured at fair value less any allowances and impairments.

l. **Impairment of accounts receivable**
A provision for impairment is made and an impairment loss is recognized in the statement of comprehensive loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the accounts receivable. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

m. **Compensated absences**
The Company recognizes an accrual to the extent that compensated absences for individuals in the coming year are expected to be greater than the sick leave entitlements earned in the coming year.

n. **New standards and amendments effective during the year**
The following amendments to IFRSs came into effect during 2012:

- Amendments to IAS 12, Deferred Tax: Recovery of Underlying Assets

This standard change had no effect on the financial statements of STC.

o. **New standards and interpretations not yet adopted**
A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2012, and have not been applied in preparing these financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after July 1, 2012:

- IFRS 9, Financial Instruments – effective January 1, 2015
- IFRS 10, Consolidated Financial Statements – effective January 1, 2013
- IFRS 11, Joint Arrangements – effective January 1, 2013
- IFRS 12, Disclosure of Interests in Other Entities – effective January 1, 2013
- IFRS 13, Fair Value Measurement – effective January 1, 2013
- Amendments to IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities – effective January 1, 2015
- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income – effective January 1, 2013

Notes to Financial Statements (continued)

- IAS 19, Employee Benefits – effective January 1, 2013
- IAS 27, Separate Financial Statements – effective January 1, 2013
- IAS 28, Investments in Associates and Joint Ventures – effective January 1, 2013
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities – effective January 1, 2014

The extent of the impact on adoption of these standards is not known at this time.

5. FINANCIAL RISK MANAGEMENT

Fair value

The Company, as part of its operations, carries a number of financial instruments which includes cash, accounts receivable, and trade and other payables. The carrying amount of STC's financial instruments approximates their fair value due to the short-term maturities of these items.

The following summarizes the classification, carrying amounts and fair values of the Company's financial instruments:

			2012		2011	
	Classification	Level	Carrying amount	Fair value	Carrying amount	Fair value
			(Thousands of Dollars)			
Cash	FV	1	$ 1,043	$ 1,043	$ 2,606	$ 2,606
Accounts receivable	L&R	N/A	1,178	1,178	1,422	1,422
Trade and other payables	OL	N/A	2,634	2,634	3,333	3,333

Classification details are: FV – fair value through profit or loss, L&R – loans and receivables, OL – other financial liabilities

Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 – Quoted prices are readily available from an active market.
Level 2 – Inputs, other than quoted prices included in level 1, that are observable either directly or indirectly.
Level 3 – Inputs are not based on observable market date.

The Company's financial instruments (other than Cash) have not been classified in the fair value hierarchy given that carrying value approximates fair value due to their immediate or short-term maturity.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non¬performance. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks identified with the customer and other relevant information. STC monitors the credit risk and credit rating of customers on a regular basis. Cash is held with a major chartered Canadian bank and management believes the risk of loss to be minimal.

Notes to Financial Statements (continued)

The maximum exposure to credit risk is $2.22 million (2011 - $4.03 million) equal to the carrying value of the Company's financial assets (cash - $1.04 million (2011 - $2.61 million) and accounts receivable - $1.18 million (2011 - $1.42 million)).

The following table sets out details of the age of receivables and allowance for doubtful accounts:

	2012	2011
	(Thousands of Dollars)	
Gross accounts receivable:		
Current	$ 787	$ 836
Up to three months past due date	460	522
Greater than three months past due date	91	224
	1,338	1,582
Allowance for doubtful accounts, opening balance	(160)	(165)
Accounts written off	-	5
Allowance for doubtful accounts, ending balance	(160)	(160)
Net accounts receivable	$ 1,178	$ 1,422

6. CAPITAL MANAGEMENT

STC's objective when managing its capital structure is to ensure adequate funding exists to support the operations and growth strategies for the Company.

STC obtains its funding from CIC by way of operating and capital grants authorized by Orders in Council. Throughout the year, operating and capital grant draws are made as necessary based on cash flow forecasts. STC also has an available line of credit of $500 thousand at the CIBC that it can draw upon.

STC's capital structure consists of equity, primarily in the form of retained earnings. STC does not have any debt.

STC's capital structure is as follows:

	2012	2011
	(Thousands of Dollars)	
Contributed surplus	$ 465	$ 465
Retained earnings	6,597	7,566
	$ 7,062	$ 8,031

The Company monitors and assesses its financial performance against its plans in order to ensure that it is continuing its commitment to serve the province by providing bus passenger and express service to the communities of Saskatchewan. STC achieves this by adhering to its balanced scorecard objectives, measures, and targets that have been approved by the STC Board of Directors and CIC.

7. INVENTORIES

The costs of inventory recognized as an expense during the year in respect of continuing operations was $332 thousand (2011 - $324 thousand). The costs of inventory recognized as an expense includes $25 thousand (2011 – nil) in respect of a write-down of inventory to net realizable value.

8. ASSETS HELD FOR SALE

(Thousands of Dollars)

	Cost	Accumulated Depreciation	2012 Net Book Value	2011 Net Book Value
Assets held for sale	$ 1,887	$ 1,870	$ 17	$ -

At December 31, 2012, STC had fleet assets that are no longer in service and are held for sale. Management intends to dispose of these assets through public sale within the next 12 months. The carrying amount of these assets approximates fair value.

Notes to Financial Statements (continued)

9. PROPERTY AND EQUIPMENT
(Thousands of Dollars)

	Land	Buildings	Vehicles	Other equipment	Total
Cost or deemed cost					
Balance at December 31, 2010	$ 4,654	$ 33,623	$ 15,512	$ 7,492	$ 61,281
Additions	-	50	57	769	876
Disposals	-	-	(115)	(467)	(582)
Balance at December 31, 2011	4,654	33,673	15,454	7,794	61,575
Balance at December 31, 2011	**4,654**	**33,673**	**15,454**	**7,794**	**61,575**
Additions	**-**	**64**	**2,044**	**845**	**2,953**
Assets held for sale	**-**	**-**	**(1,887)**	**-**	**(1,887)**
Disposals	**-**	**-**	**-**	**(26)**	**(26)**
Balance at December 31, 2012	**$ 4,654**	**$ 33,737**	**$ 15,611**	**$ 8,613**	**$ 62,615**
Depreciation					
Balance at December 31, 2010	$ -	$ 8,965	$ 9,189	$ 5,563	$ 23,717
Depreciation for the year	-	949	1,013	729	2,691
Disposals	-	-	(105)	(463)	(568)
Balance at December 31, 2011	-	9,914	10,097	5,829	25,840
Balance at December 31, 2011	**-**	**9,914**	**10,097**	**5,829**	**25,840**
Depreciation for the year	**-**	**951**	**1,407**	**784**	**3,142**
Assets held for sale	**-**	**-**	**(1,870)**	**-**	**(1,870)**
Disposals	**-**	**-**	**-**	**(23)**	**(23)**
Balance at December 31, 2012	**$ -**	**$ 10,865**	**$ 9,634**	**$ 6,590**	**$ 27,089**
Carrying Amounts					
At December 31, 2011	4,654	23,759	5,357	1,965	35,735
At December 31, 2012	**$ 4,654**	**$ 22,872**	**$ 5,977**	**$ 2,023**	**$ 35,526**

Notes to Financial Statements (continued)

10. ESTIMATED SALVAGE VALUES OF PROPERTY AND EQUIPMENT

STC annually reviews the estimates used for property and equipment. During the current year, it was determined that the estimated salvage values of STC's fleet were not representative of the current market for used vehicles in the same condition at the end of their useful lives. The estimated salvage values of all vehicles were adjusted from between 6% and 10% of original cost to 1% to better reflect the estimated recoverable amount. The change in estimate was accounted for on a prospective basis.

The financial effect of this reassessment is to increase the depreciation expense which is offset by an increase in the amount recognized as capital grant revenue in the current fiscal year and until the end of the vehicles' estimated useful lives by the following amounts:

	2012	2013 - 2016
	(Thousands of Dollars)	
Depreciation expense	$ 336	$ 543
Capital grant revenue recognized	(254)	(527)
	$ 82	$ 16

11. NON-MONETARY TRANSACTIONS

During the year, STC entered into non-monetary arrangements resulting in STC providing services in exchange for advertising and promotional services. The fair value of the transactions were determined based on the value of services provided as the services received were not reliably measurable. In 2012, passenger and other revenue included $95,000 (2011 - $86,000) exchanged in such arrangements offset by a corresponding amount included in operating expenses.

12. CAPITAL GRANT

Order in Council #29/2012 authorized STC to obtain grant funding up to $2.3 million for capital requirements in 2012. During the year, STC obtained $2.3 million (2011 - $2.0 million, Order in Council #16/2011) of capital funding from CIC.

Deferred capital grant consists of the following:

	2012	2011
	(Thousands of Dollars)	
Deferred capital grant, beginning of year	$ 29,257	$ 29,673
Capital grant received	2,300	2,000
Capital grant revenue recognized	(2,671)	(2,416)
	$ 28,886	$ 29,257

13. OPERATING GRANT

Order in Council #29/2012 authorized STC to obtain grant funding up to $9.2 million for operating requirements in 2012. During the year, STC obtained $9.2 million (2011 - $8.7 million) from CIC.

14. PENSION CONTRIBUTIONS

The Company participates in two pension plans. STC's contributions to the Public Service Superannuation Plan which were expensed during the year were $2 thousand (2011 - $4 thousand). STC's contributions to the Capital Pension Plan which were expensed in the year were $810 thousand (2011 - $774 thousand).

15. NET CHANGE IN NON-CASH WORKING CAPITAL

	2012	2011
	(Thousands of Dollars)	
(Increase) Decrease in:		
Accounts receivable	$ 244	$ 32
Inventories	80	1
Prepaid expenses	(40)	(16)
	284	17
Increase (Decrease) in:		
Trade and other payables	(699)	356
	$ (415)	$ 373

Notes to Financial Statements (continued)

16. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). STC has elected to take a partial exemption under IAS 24 - Related Party Disclosures which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

On October 15, 2008, STC sold its former Regina head office building and land to SaskPower, a Saskatchewan Crown Corporation. The sale was recorded as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to contributed surplus ($465 thousand).

In addition, the Company pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Key management personnel compensation

Key management personnel consist of the Company's directors and executive officers. Compensation to key management personnel consisted of short-term employee benefits (director remuneration, executive salaries and non-cash benefits) and post-employment benefits (Company contributions to defined contribution pension plan for executive).

Key management personnel compensation comprised:

	2012	2011
	(Thousands of Dollars)	
Short-term employee benefits	$ 1,163	$ 985
Post-employment benefits	63	51
	$ 1,226	$ 1,036

17. COMMITMENTS

The following significant purchase commitments exist at December 31, 2012:

a) $215 thousand to refurbish a 55 passenger coach. The refurbishment project commenced in November with expected completion in February 2013. $5 thousand related to the project was capitalized in 2012. Depreciation on the refurbished coach will begin following completion of the project when the coach is returned to the active fleet.

b) $100 thousand for the purchase of a new freight truck. The truck was ordered in 2012 with delivery expected in April 2013.

STC

Corporate Governance

AUTHORITY

Established in 1946, the Saskatchewan Transportation Company (STC; the Corporation) is a Crown Corporation of the province of Saskatchewan. STC is subject to *The Crown Corporations Act, 1993*, which provides the Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's Crown Corporations, the authority to establish the direction of the Corporation.

BOARD OF DIRECTORS

Role of the Board

The primary function of the STC Board of Directors (Board) is to represent the shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board oversees Executive Officers, who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements Board-approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day-to-day business. The Minister Responsible for STC and Cabinet are tasked to communicate broad objectives for the Corporation and empower the Board to oversee the business of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with "best practices" for corporate governance, as developed by the Canadian Securities Administrators.

Board Compensation

In 2012, Directors were paid an annual retainer and per diems:

- The Board Chair receives an annual retainer of $10,000 and a $600 meeting fee.
- Board members receive an annual retainer of $7,000 and a $500 meeting fee.
- Committee Chairs receive a $550 Committee Chair meeting fee.

Board Composition

The STC Board consists of independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice Chair of the Board.

Corporate Governance (continued)

In 2012, the composition of the board was as follows:

Jonathan Abrametz

Saskatoon-based trial lawyer (kmpLaw north) practices no-fault and tort auto injury claims, fatal accident claims, and personal injury claims. Mr. Abrametz gained his Chartered Director designation in 2012. He is involved in several charitable and community organizations, including the Kinsmen Club of Saskatoon where he chaired the 2012 Kinsmen Sports Celebrity Dinner. Jonathan also facilitates educational sectionals for the Saskatchewan Bar Admission course in Criminal Law.

Acting Board Chair
Audit and Finance Committee Member
Compensation Committee Member

John Breakey

Estevan-based oil, land services and farm entrepreneur. Currently Vice-President of Land and a shareholder in a junior Saskatchewan-based oil company. Owner and manager of three other family corporations involved in oil and land operations. Past experience as a financial fieldman with Farm Debt Review Board. Regular participant in local charities and community organizations.

Governance and Corporate Responsibility Committee Chair
Compensation Committee Member

Amanda Crashley

Big River-based insurance broker, volunteer and mother of three. Insurance broker for fourteen years. Highly involved in community, active volunteer with minor sports and cultural boards and associations. Board member for Ladder Valley Community Centre Co-op, Big River and District Recreation and Cultural Board and the liaison to the Minor Sports Board. Also involved in various community fundraising projects each year.

Governance and Corporate Responsibility Committee Member

Mervin Massier
Saskatoon-based consultant. Banking/financial background includes senior positions with Concentra Financial Corporate Banking and Barclays Bank of Canada. Past membership with the Saskatoon Chamber of Commerce, Saskatchewan Chamber of Commerce, Prairie Implement Manufacturer's Association, the North Saskatoon Business Association and Treasury Management Association of Canada.

Governance and Corporate Responsibility Committee Member
Audit and Finance Committee Member

Mervin Schneider
Prince Albert-based Chartered Accountant, retired partner with Deloitte & Touche. Over 30 years of experience as a Chartered Accountant including Executive Committee, Office Managing Partner and Audit and Assurance Partner. Currently involved in serving on a number of profit and non-profit Boards, for example, Rotary Club of Prince Albert, and Kinsmen Community Group Home Society. Also operates a small business consulting practice. Completed training and received Chartered Director (C.Dir.) designation from McMaster University.

Audit and Finance Committee Chair
Compensation Committee Member

Delmer Wagner
Moose Jaw-based Director of Education, retired. Over 30 years of experience in the education field, including, Director of Education, Superintendent of Student Services, Principal, Vice-Principal and teacher. Published author of numerous education-related articles and studies. Highly involved in the community including a member of the League of Education Administrators, Superintendents and Directors, Knights of Columbus, etc.

Governance and Corporate Responsibility Committee Member

Corporate Governance (continued)

The following Board Members stepped down in 2012:
Wayne Lorch
- Past Board Chair
- Past Audit and Finance Committee Member
- Past Compensation Committee Member

Bill Missal
- Past Audit and Finance Committee Member

BOARD COMMITTEES

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own Terms of Reference, outlining its authority and its areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex-officio on all Board Committees and may attend any meeting as appropriate.

The following committees acted in an advisory capacity to the Board of Directors in 2012. Committee members are listed as of December 31, 2012.

Audit and Finance
Chair: Mervin Schneider
Committee Members: Mervin Massier, Jonathan Abrametz

The Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- overseeing the overall financial management of STC to ensure the integrity of internal financial controls and reporting processes;
- overseeing the provision of relevant and timely financial information to the Board;
- the appointment of the external auditor; and,
- ensuring appropriate follow-up of audit results.

Governance and Corporate Responsibility
Chair: John Breakey
Committee Members: Delmer Wagner, Amanda Crashley, Mervin Massier

The Governance and Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- developing and recommending best corporate governance practices and the annual strategic planning processes;
- overseeing human resource strategies, programs and practices;
- keeping current with developments and emerging best practices in corporate governance;
- ensuring the Corporation is proactive in addressing safety, health, and environment issues, and is in compliance with all statutory requirements;
- identifying and recommending competent, skilled candidates for appointment to the Board;

- reviewing the Board's Committee Terms of Reference and the skills matrix required for Board complement;
- managing evaluations of the Board, Committees, Chair and Director performance; and,
- providing oversight to the Corporation's code of conduct and ethics.

Compensation
Chair: Jonathan Abrametz
Committee Members: Mervin Schneider, John Breakey

The Compensation Committee assists the Board in fulfilling its obligations and responsibilities for:

- making recommendations on the recruitment of the President and CEO;
- making recommendations on the goals and objectives, conducting annual performance evaluations, and recommending a compensation package for the President & CEO; and,
- making recommendations on Executive Compensation in accordance with CIC's Executive Compensation Framework.

CORPORATE GOVERNANCE PRACTICES

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While the Saskatchewan Transportation Company is not a publicly traded company, its practices are benchmarked against these current industry best practices.

Priority Seating
Please offer these seats to people with disabilities

STC offers priority seating for customers with special needs.

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
NP 58-201, section 3.1 The Board should have a majority of independent directors.	All directors of the STC Board are independent members.	✓
NI 58-101F1, sections 1(a) to (d) 1(a) Disclose the identity of directors who are independent. 1(b) Disclose the identity of directors who are not independent and the basis for that determination. 1(c) Disclose whether the majority of directors are independent. 1(d) Disclose whether a director is a director or any other issuer that is a reporting issuer.	Jonathan Abrametz (Acting Chair): INDEPENDENT Lawyer, KMP Law North John Breakey: INDEPENDENT President, Lakewood Holdings Corporation and A.L. Breakey Oil Holdings Ltd. Mervin C. Massier: INDEPENDENT Retired, Banking Industry Professional Mervin Schneider: INDEPENDENT Retired, Financial Industry Professional Delmer Wagner: INDEPENDENT Retired, Director of Education Amanda Crashley: INDEPENDENT Insurance Broker Wayne Lorch: INDEPENDENT President, Performance Marine Wayne resigned from the Board on November 13, 2012. Bill Missal: INDEPENDENT Retired, Business Person Bill resigned from the Board on September 14, 2012. Section 1(d) does not apply to STC. STC does not have share capital and is not an issuer.	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
COMPOSITION OF THE BOARD (continued)		
NP 58-201, section 3.2 The Chair of the Board should be an independent director who is the effective leader of the Board and who ensures that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner, enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the shareholder.	✓
NI 58-101F1, sections 1(f) 1(f) Disclose whether the Chair of the Board is an independent director; disclose the identity of the Chair and describe the role of the Chair.	Jonathan Abrametz is the Acting Chair of the Board and is an independent director. The Chair reports to the CIC Board of Directors and is responsible to ensure that the shareholder receives accurate, relevant and timely information respecting Board actions and critical corporate issues and initiatives. As the chief spokesperson for the Board, the Chair communicates the Board's views, and reports back to the Board, respecting communications with the shareholder. The Chair functions in a leadership capacity, and has the statutory authority and obligation to preside over meetings of the Board, and to perform duties and exercise the powers assigned by the Board. The Chair's primary responsibilities are to: • chair meetings of the Board, ensuring that meetings are properly convened, business is conducted legally and accurate minutes of proceedings are recorded; • work with the CEO and Corporate Secretary to set Board meeting schedules and establish agendas; • monitor meeting attendance and encourage full participation of directors at meetings; • maintain open channels of communication with directors between meetings; • champion the Corporate approach to governance; • provide leadership in Board organization, optimizing Board and Committee structures and operations;	✓

Corporate Governance Scorecard (continued)

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
COMPOSITION OF THE BOARD (continued)		
	• take a lead role in assessing and addressing any concerns related to the performance of the Board, its Committees or individual members; • assist directors to achieve full utilization of individual abilities, recommending orientation and training opportunities; • work with Committee Chairs to establish effective communications, information sharing mechanisms and establish clear delineation of responsibilities; • act as an ex-officio member of all Board Committees; • coach, support and assist the CEO and senior management; • monitor and influence the strategic agenda of the Corporation, providing leadership and advice respecting strategic planning processes, supporting material and outcomes; and, • work with the CEO to develop and maintain productive relationships and represent the Corporation.	
MEETINGS OF INDEPENDENT DIRECTORS		
NP 58-201, section 3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	As a standing agenda item, the Board holds an in-camera session without management presence at each regular meeting.	✓
NI 58-101F1, sections 1(e) 1(e) Disclose where the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in previous 12 months; if such meetings are not held, disclose what the Board does to facilitate open and candid discussion among independent directors.	The Board held regularly scheduled meetings at which members of management were not present. There were seven (7) regular Board meetings held in 2012, all of which included in-camera sessions. The Board facilitates open and candid discussions by holding in-camera sessions during these regular meetings without management presence.	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
MEETINGS OF INDEPENDENT DIRECTORS (continued)		
NI 58-101F1, sections 1(g) 1(g) Disclose the attendance record of each director for Board meetings held in the most recently completed financial year.	There were seven (7) Board meetings in the calendar year 2012. The following are the director's attendance statistics: Director — Meetings Attended[1] Jonathan Abrametz — 7 of 7 John Breakey — 7 of 7 Mervin C. Massier — 7 of 7 Mervin Schneider — 7 of 7 Delmer Wagner — 7 of 7 Amanda Crashley — 7 of 7 Wayne Lorch[2] — 6 of 6 Bill Missal[3] — 4 of 4 [1] For the purpose of this report, members who attended meetings in part were considered to be present. [2] Wayne Lorch resigned from the STC Board on November 13, 2012. [3] Bill Missal resigned from the STC Board on September 14, 2012.	✓
BOARD MANDATE		
NP 58-201, section 3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for: a. to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization; b. adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business; c. the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The function of the Board is to act as stewards of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence between shareholder expectations, corporate plans and management performance. The Board of Directors has a written Terms of Reference, which is reviewed annually. These terms outline its responsibilities and principal duties. a. One of the Board's principal duties is to appoint, monitor and evaluate the performance of the President & CEO, taking appropriate action as warranted. The Governance and Corporate Responsibility Committee has established reporting standards to promote a culture of ethical business conduct among other executive officers.	✓

Corporate Governance Scorecard (continued)

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
BOARD MANDATE (continued)		
d. succession planning (including appointing, training and monitoring senior management); e. adopting a communication policy for the issuer; f. the issuer's internal control and management information systems; and, g. developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer. The written mandate of the Board should also set out measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent directors), and expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.	b. The Board participates in an annual strategic planning process with officers and senior management. The outcome of this process establishes the core objectives and strategic direction of the Corporation for the upcoming year. A complete strategic plan is approved annually and includes the identification of business opportunities, threats, new initiatives, operating goals and performance measures. c. A principal duty of the Board is to identify principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. d. The Board has delegated the responsibility of succession planning to the Governance and Corporate Responsibility Committee to oversee. The Committee reviews the plan on an annual basis and reports its findings to the Board. e. The Board adopts policies and processes to enable effective communication with the shareholder, stakeholders and the public. f. The Board monitors the integrity of the Corporation's internal control and management information systems. g. The Board has delegated the Corporation's approach to corporate governance to the Governance and Corporate Responsibility Committee to oversee. STC surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown Boards and senior CIC officials, where issues of mutual interest and concern are shared. The Board's Terms of Reference outlines expectations and responsibilities of directors and it also provides the Chair the right to recommend to CIC the removal or replacement of a member that has missed two consecutive regularly scheduled Board meetings or has attended fewer than sixty per cent of all meetings held in any year. STC is not an issuer.	

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
BOARD MANDATE (continued)		
NI 58-101F1, sections 2 Disclose the text of the Board's written mandate.	The Board's principal responsibilities are described in the NP 58-201, section 3.4. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	✓
POSITION DESCRIPTIONS		
NP 58-201, section 3.5 The Board should develop clear position descriptions for the Chair of the Board and the Chair of each Board Committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	*The Crown Corporations Act, 1993* subsection 23 (5) and CIC "Chair of the Board Terms of Reference" outline the primary duties of the Chair of the Board. There is a Terms of Reference for the Board and each Committee of the Board and written position descriptions are in place for the Chair, each Committee chair, and the CEO. The Board's Terms of Reference sets out matters that require Board approval and delegates other matters to management. The Board annually approves a strategic business plan and performance management plan, which includes the Corporate objectives and goals (balanced scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these goals and objectives.	✓
NI 58-101F1, sections 3(a) and (b) 3(a) Disclose whether the Board has developed written position descriptions for the chair of the Board and the Chair of each Board Committee and, if not, describe how the Board delineates the role and responsibilities of each such position. 3(b) Disclose whether the Board and CEO have developed a written position description for the CEO.	In addition to the Terms of Reference, which have been developed for the Board and Board Committees, a checklist of annual deliverables guide the Board's and Committees' planning and decision making, ensuring that all governance requirements are met. Through regular evaluations of performance, the Company can satisfy itself that all governance requirements for the Chair of the Board, Chair of Board Committees and CEO are met. Specific written position descriptions are in place to ensure governance standards are met in this area.	✓

Corporate Governance Scorecard (continued)

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
ORIENTATION AND CONTINUING EDUCATION		
NP 58-201, section 3.6 The Board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its Committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	Orientation sessions are held between management and directors, providing insights into the business and its operations. Written reference materials are provided to supplement these orientation sessions. The Board also receives regular operations and management updates at each of its regular meetings. In the circumstance that there are new Board members appointed, a Board orientation will be scheduled.	✓
NP 58-201, section 3.7 The Board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	CIC's Board Training Program covers all the Crown Corporations' education programs. All STC Board members have the opportunity to take part in various sessions of this training throughout the year. Currently, modules are available from McMaster University's DeGroote School of Business for director certification.	✓
CODE OF BUSINESS CONDUCT AND ETHICS		
NP 58-201, section 3.8 The Board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues: a. conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest; b. protection and proper use of corporate assets and opportunities; c. confidentiality of corporate information; d. fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Directors and officers must comply with *The Crown Corporations Act, 1993* Part VI, which explicitly outlines duty of care, conflict of interest and indemnification. The Board must also comply with CIC's *Directors' Code of Conduct*, which is applicable to all directors of its subsidiary Crown Boards. A copy of the *Director's Code of Conduct* can be obtained by contacting the Corporate Secretary to the Board. Officers and employees of the Corporation must comply with STC's *Code of Ethical Conduct*. Management reports on compliance with the Corporation's *Code of Ethical Conduct* to the Governance and Corporate Responsibility Committee at each of its regular meetings.	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
CODE OF BUSINESS CONDUCT AND ETHICS (continued)		
e. compliance with laws, rules and regulations; and, f. reporting of any illegal or unethical behaviour.		
NP 58-201, section 3.9 The Board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the Board (or a Board Committee) only.	The Governance and Corporate Responsibility Committee has the duty and responsibility to administer the Director's Code of Conduct, reports on compliance with the code and provides advice to the directors on conflict of interest.	✓
NI 58-101F1, sections 5(a) 5(a) Disclose whether the Board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the Board monitors compliance with the Code and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the code.	A copy of *CIC's Code of Conduct* can be obtained by contacting the Corporate Secretary to the Board. The Audit and Finance Committee assists the Board in fulfilling its financial accountability by maintaining oversight of the Corporation's budget and financial operations; reviewing internal controls; participating in the audit processes; monitoring capital assets; and, reviewing and recommending on capital activities. The Chair of the Audit and Finance Committee reports to the Board any such issues addressed by the Committee. The Governance and Corporate Responsibility Committee reviews, develops and maintains corporate governance practices and oversees the Board's nominating and governance activities. Duties and responsibilities include: overseeing processes for evaluating the performance of the Board, Committees, Chair, directors and ensuring Board orientation and opportunity for professional development. The Chair of the Governance and Corporate Responsibility Committee reports to the Board any such issues addressed by the Committee. No waivers from the Code were granted to any directors in 2012. In 2012, the Governance and Corporate Responsibility Committee received a report on officer and employee compliance with the Code at each quarterly meeting.	✓

Corporate Governance Scorecard (continued)

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
CODE OF BUSINESS CONDUCT AND ETHICS (continued)		
NI 58-101F1, sections 5(b) 5(b) Describe steps that the Board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or is perceived to have, a personal interest in a transaction being considered by the Corporation, the director has a fiduciary responsibility to declare such interest at the meeting at which the matter is being considered. The CEO monitors agenda items to identify any issues where a director or officer may have a material interest and such items would not be distributed to the director.	✓
NI 58-101F1, sections 5(c) 5(c) Describe other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Governance and Corporate Responsibility Committee has been tasked with this undertaking to ensure that the Board is in full compliance with industry best practices in corporate governance.	✓
NOMINATIONS OF DIRECTORS		
NP 58-201, section 3.10 The Board should appoint a nominating Committee composed entirely of independent directors.	The Governance and Corporate Responsibility Committee serves as the nominating Committee and is comprised of all independent Board members.	✓
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the Board identifies new candidates for Board nomination. 6(b) Disclose whether the Board has a nominating Committee composed entirely of independent directors and, if not, describe the steps the Board takes to encourage an objective nomination process.	The Governance and Corporate Responsibility Committee (the nominating Committee) is comprised of all independent Board members. They review skills and composition of current directors annually and perform a needs and skills assessment when the need for a new member arises. The Committee identifies skill sets required on the Board and seeks input from directors as well as independent sources and professional associations for nominees. It then recommends to the Board those nominees that have the required competencies to fill any identified skill gap(s).	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
NOMINATIONS OF DIRECTORS (continued)		
	Potential candidates' Curriculum Vitaes (CVs) are reviewed to determine a fit with the Board's needs. The Chair of the Governance Committee produces a short list of candidates. The Committee makes recommendations to the Board and the Board then makes recommendations to the shareholder. The shareholder has the legislative authority to make Board appointments and all appointments are by Order in Council.	
NP 58-201, section 3.11 The nominating Committee should have a written charter that clearly establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees).	The Governance and Corporate Responsibility Committee's Terms of Reference establishes the Committee's role and responsibility to act as advisors to the Board regarding purpose and responsibilities. It includes the objective to advise the Board regarding nominees for positions on the Board of Directors.	✓
NI 58-101F1, sections 6(c) 6(c) If the Board has a nominating Committee, describe the responsibilities, powers and operation of the Committee.	The Governance and Corporate Responsibility Committee performs the function of the nominating Committee and its Terms of Reference describes the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board and serves in an advisory capacity. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	✓
NP 58-201, section 3.12 Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps: a. Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	The Board's nomination process meets these guidelines. As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members. Board members are appointed by Order in Council	✓

Corporate Governance Scorecard (continued)

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
NOMINATIONS OF DIRECTORS (continued)		
b. Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic. The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision-making.		
NP 58-201, section 3.13 The nominating Committee should be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders.	As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and puts forward, for consideration, qualified nominations to fill vacant positions, which are then forwarded to CIC for consideration and decision.	✓
NP 58-201, section 3.14 In making its recommendations, the nominating Committee should consider: a. the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; b. the competencies and skills that the Board considers each existing director to possess; and, c. the competencies and skills each new nominee will bring to the boardroom. The nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.	The process followed by the Governance and Corporate Responsibility Committee complies with that set out in these guidelines.	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
COMPENSATION		
NP 58-201, section 3.15 The Board should appoint a Compensation Committee composed entirely of independent directors.	The Board appoints a Compensation Committee. The composition of this Committee is the Board Chair, the Vice Chair, the Chair of Governance and Corporate Responsibility and the Chair of Audit and Finance.	✓
NI 58-101F1, sections 7(a) and (b) 7(a) Describe the process by which the Board determines compensation for the directors and officers of the Corporation. 7(b) Disclose whether the Board has a Compensation Committee composed entirely of independent directors and, if not, describe the steps the Board takes to ensure an objective process for determining such compensation.	Board Compensation is paid in accordance with *The Crown Corporations Act, 1993*, subsection 9 and CIC's remuneration schedule. These documents outline the annual remuneration and rates of reimbursement for the expenses incurred by directors of subsidiary Crown Corporations. A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting CIC or the Corporate Secretary to the Board. An Executive compensation framework has been established by CIC. The Board has the authority to approve compensation and benefit packages within that framework.	✓
NP 58-201, section 3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The Compensation Committee is established by the Board of Directors and has a Terms of Reference that establishes the duties and responsibilities of this Committee. If the Committee deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities.	✓

Corporate Governance Scorecard (continued)

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
COMPENSATION (continued)		
NI 58-101F1, sections 7(c) 7(c) If the Board has a Compensation Committee, describe the responsibilities, powers and operation of the Committee.	The Committee shall be advisory to the Board and in such capacity shall: • Make recommendations on the recruitment of the President and CEO; • Make recommendations on the goals and objectives, conduct annual performance evaluations, and recommend a compensation package for the President & CEO; and, • Make recommendations on Executive Compensation in accordance with CIC's Executive Compensation Framework.	✓
NP 58-201, section 3.17 The Compensation Committee should be responsible for: a. reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation; b. making recommendations to the Board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and, c. reviewing executive compensation disclosure before the issuer publicly discloses this information.	For (a) & (b): these responsibilities are addressed as described above in section 7 (c). c. CEO, officer and employee compensation disclosure occurs in the form of an annual payee list, which is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payee list is submitted and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under The Crown Employment Contracts Act, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.	✓
NI 58-101F1, sections 7(d) 7(d) If a compensation consultant has been retained, at any time during the Corporation's most recently completed fiscal year, to assist in determining compensation for any of the Corporation's directors and officers, disclose the identity of the consultant and briefly summarize their mandate. If retained to perform any other work, state the fact and briefly describe the nature of the work.	In 2012, the Corporation did not retain a compensation consultant.	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices 2012	Consistent with CSA guidelines
OTHER BOARD COMMITTEES		
NI 58-101F1, sections 8 If the Board has standing Committees of the Board, other than audit, compensation and nominating Committees, identify the Committees and describe their function.	Committees of the Board include the Governance and Corporate Responsibility Committee, the Audit and Finance Committee and the Compensation Committee. Their functions are described in previous sections. The Board does not have any other Committees.	✓
BOARD ASSESSMENTS		
NP 58-201, section 3.18 The Board, its Committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider; a. in the case of the Board or a Board Committee, its mandate or charter, and, b. in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the Board.	The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board. Performance evaluations on all CIC subsidiary Crown Corporation Boards are conducted on a two year cycle. All CIC subsidiary Crown Boards completed performance evaluations of the Board and Board Chair in 2010. All Director peer, Committee Chair and Board Committee evaluations were conducted in 2011. In 2012, evaluations of the Board and the Board Chair were completed. The Board and its Committees review their Terms of Reference annually. Directors' skills are reviewed annually; individual directors are plotted on a skills matrix and are assessed as part of a regular peer review.	✓
NI 58-101F1, sections 9(a) 9(a) Disclose whether the Board, its Committees and individual directors are regularly assessed with respect to their effectiveness and contributions and, if yes, describe the process used.	The evaluations are conducted using an instrument developed by CIC. Directors complete surveys, which allow them to provide feedback in writing on the effectiveness of the Board, Committees, Chairs and individual directors. The Governance and Corporate Responsibility Committee outlines evaluation results, which are submitted to the Board for review and approval. The Committee tracks implementation of any action items.	✓

Corporate Directory

EXECUTIVE OFFICERS

SHAWN GRICE
President and Chief Executive Officer
Shawn Grice was appointed as STC's President and Chief Executive Officer in August 2010, after acting in the role since February 2010. Before becoming CEO, Mr. Grice served as Chief Financial Officer (CFO) of STC since 1998. Previous to his joining the company, Mr. Grice held roles with Crown Investments Corporation of Saskatchewan (CIC), Saskatchewan Department of Finance, and KPMG Peat Marwick Thorne. Mr. Grice graduated with a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan, holds a Chartered Accountant (CA) designation from the Canadian Institute of Chartered Accountants (CICA) and obtained the Chartered Director (C.Dir.) designation from The Directors College (a joint venture of McMaster University and The Conference Board of Canada) in 2013. Mr. Grice is a board member with the Canadian Bus Association. He is also a board member and Finance Chair with the Regina Downtown Business Improvement District.

JASON SHERWIN
Chief Financial Officer
Jason Sherwin was appointed Chief Financial Officer in April 2011, after acting in the role since February 2010. Mr. Sherwin rejoined the company in January 2009 as Director of Finance, having worked with STC previously from 1999-2004 as Assistant Controller. Prior to 2009, Mr. Sherwin was employed with Greystone Managed Investments Inc. as Manager, Real Estate Portfolio Administration and as Controller with PW Group. Mr. Sherwin also held accounting positions with Markusson New Holland and KPMG. He graduated with a Bachelor of Commerce (Distinction) from the University of Saskatchewan and also holds a Chartered Accountant (CA) designation.

PHIL BOHAY
Chief Operating Officer
Phil Bohay joined STC in June 2008 to head STC Customer Services and Operations. Mr. Bohay was employed for 36 years with SaskTel in various areas of the company, working his way up to senior management positions, culminating in General Manager, Customer Services-Business Sales. Mr. Bohay holds a Master of Business Administration degree from the University of Regina, is a graduate of the Duke University Program for Manager Development and holds a certificate in Advanced Marketing from the Banff School of Management. Mr. Bohay is a board member with the Canadian Bus Association. He served as a board member for Junior Achievement, Southern Saskatchewan from 2008 to 2010.

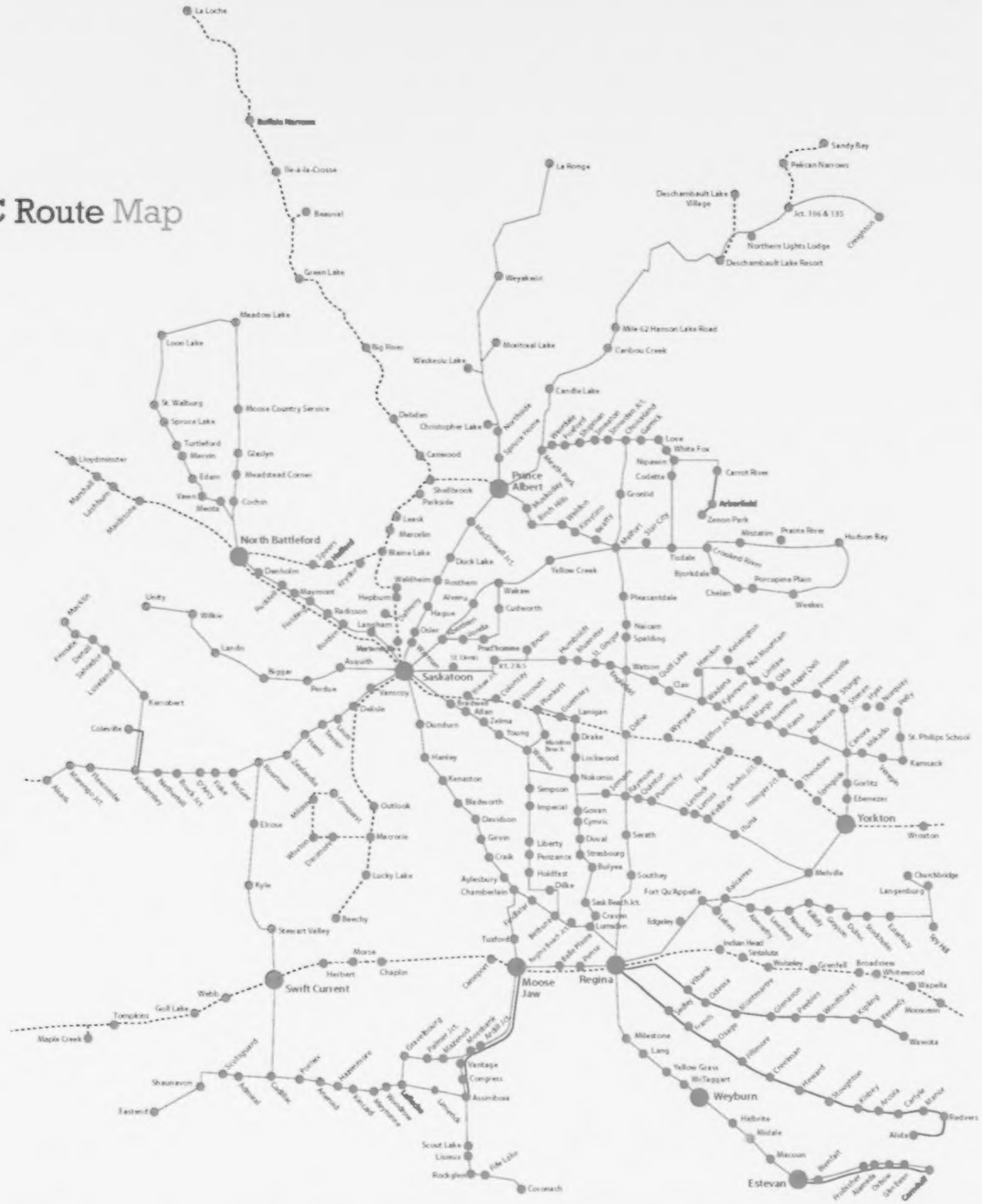
BRAD DEWALD
Executive Director
Corporate Systems and Technology
Brad Dewald was first employed at STC from May 2000 to October 2004, and returned in October 2006 as Director of Corporate Systems and Technology. From November 2004 to September 2006, Mr. Dewald led SaskEnergy's Information Technology team, and prior to joining STC in 2000, he was the technical lead for 12 years at the Saskatchewan Liquor and Gaming Authority. He also spent four years in the consulting industry where he was a key member of a team that first automated Saskatchewan's justice system. Mr. Dewald graduated with a Business Diploma majoring in Data Processing.

DON ASH
Executive Director
Human Resources and Payroll
Don Ash was first employed at STC from 1995 to 1998 as Director Human Resources, Vice President Customer Services and Acting President. He returned in January 2012 as Executive Director, Human Resources and Payroll. Mr. Ash brings a wealth of executive, leadership and management experience from his four years at Crown Investments Corporation of Saskatchewan (CIC), seven years at SaskEnergy, seven years at SaskPower, and from his own consulting firm. Mr. Ash is a Certified Human Resource Professional (CHRP) and a member of the Saskatchewan Association of Human Resource Professionals. Mr. Ash is a graduate of the Vocational Rehabilitation Research Institute, Rehabilitation Supervisors Program, Calgary Alberta; Life Skills Coach from the University of Regina; and, currently a student with Royal Roads University, British Columbia in the Graduate Certification in Executive Coaching.

CANDACE PHELPS
Executive Director
Strategic Planning and Communications
Candace Phelps joined STC in December 2012. Prior to that, Ms. Phelps was employed at Tourism Saskatchewan from 2006 to 2012 as the Director of Marketing, the Vice President, and the Acting President and CEO. She has also held roles with Saskatchewan Trade and Export Partnership, Saskatchewan Chamber of Commerce, and Trimension Consulting Group. Ms. Phelps graduated with a Bachelor of Commerce (Honours and Distinction) from the University of Saskatchewan, holds a Certified International Trade Professional (CITP) designation and is a graduate of the Palladium Kaplan-Norton Balanced Scorecard Certification Program.

Salary ranges for STC's Executive Team, as of December 31, 2012, are:
President and Chief Executive Officer: $141,638 to $177,048
Other Executive members: $102,332 to 150,490

STC Route Map



La Loche
Buffalo Narrows
Ile-a-la-Crosse
Beauval
Green Lake
La Ronge
Sandy Bay
Pelican Narrows
Deschambault Lake Village
Jct. 106 & 135
Northern Lights Lodge
Deschambault Lake Resort
Creighton
Weyakwin
Meadow Lake
Loon Lake
Big River
Montreal Lake
Waskesiu Lake
Mile 62 Hanson Lake Road
Caribou Creek
Candle Lake
St. Walburg
Moose Country Service
Debden
Christopher Lake
Lloydminster
Prince Albert
Carrot River
Arborfield
Hudson Bay
North Battleford
Yellow Creek
Saskatoon
Yorkton
Swift Current
Moose Jaw
Regina
Weyburn
Estevan
Maple Creek
Coronach

STC Operated Passenger & Parcel Express Routes

Connecting/Contract Passenger & Freight Carriers

Connecting/Contract Freight Carriers Only

December 2012
www.stcbus.com

2012 Corporate Profile

Highlights

- Established in 1946
- Operates 27 routes and three routes are operated by private sector operators under contract, travelling 3.1 million miles per year
- Serves 287 communities in Saskatchewan
- Has 196 agents operating in Saskatchewan
- Owns and operates passenger and parcel express terminals in Regina, Saskatoon and Prince Albert
- Operates two service garages in Saskatoon and Regina
- Maintains its head office in Regina
- Has a fleet of 43 coaches, 26 per cent of which are wheelchair accessible, varying in size from 20 seats to 55 seats, as well as a freight truck and 29 freight trailers
- Employs 229 people; approximately 83 per cent of STC's workforce is unionized (190 out of 229 as of December 31, 2012)
- The Amalgamated Transit Union Local 1374 represents the in-scope employees
- $13.0 million of annual payroll (2011: $12.9 million)
- $38.6 million of assets (2011: $40.6 million)
- $15.9 million of revenues (2011: $16.7 million)
- $28.8 million of operating expenses (2011: $28.1 million)
- $3.0 million of capital expenditures (2011: $0.9 million)*

Mission

To provide value to Saskatchewan residents with convenient, affordable, safe, clean, comfortable, courteous, environmentally friendly and reliable passenger and freight transportation services.

Vision

To be the best passenger and freight transportation Company in Canada.

Values

All business activities are conducted in a manner that is:

- Honest
- Dependable
- Innovative
- Respectful
- Socially and Environmentally Responsible

*2012 capital included $1.1 million of completed purchase commitments from 2011 for coaches, remainder of point of sale system upgrade, and an automated bus wash.

RIDE IN COMFORT,
RIDE SAFELY,
RIDE WITH STC.